NANCIAI

Cash crisis

Serbian monetary policy causes dinar drought





Turmoil in Turkey Erbakan takes the blame



Europe sets ou)

Privatisation shifts savings into shares

Investors

issue for

shun rights

Malaysia's

Bakun dam

A rights issue to help finance

the building of Malaysia's con-

froversial Bakun hydroelectric

dam has been substantially indersubscribed, supplying the clearest evidence yet that

investor centiment has turned

against one of the govern-

ent's most important infra-

structure projects.
The one-for-one rights issue

of 257.14m shares in Ekran, the

company managing the con-struction, has been less than

50 per cent subscribed, finan-cial industry analysts said. The closing date for subscrip-tion has passed and datails of the rights take-up are expected

to be announced next week.

Analysis said the undersub-

scription would not affect

Ekran's ability to raise a planned M\$1:465bn (US\$582m)

from the rights issue, because

shares which are not placed

will be taken up by 17 under-

writers led by Commerce Inter-

national Merchant Bankers, a

However, it does demon

strate how the decline in

Kuala Lumpur's stock market

since late March is affecting

the ability of companies to

raise equity finance. The

undersubscription is also

local bank.



key role

A record \$5.9bn was ested in young companies in the information technology sector last year. ation Technology looks at the central role of the US venture capital community in Silicon Valley.

Telecom partners act to strengthen European alliance

Unisource, an alliance of European telecom operators, moved to tie its members more tightly together after the defection of a key partner last month. The remaining partners, KPN of The Netherlands, Telia of Sweden and the Swiss national operator plan to merge their carrier services, which sell transmission capacity to other operators, to form a \$2bn turnover wholesaler with pan-European reach. Page 13

UK to press Bonn over Eurofighter: UK defence secretary George Robertson will urge his German counterpart, Volker Rühe, to maintain funding for the Eurofighter project, which Mr Robertson sees as an important part of Europe's industrial base. Page 3

poised to lead Israel's Labour party in succe sion to Shimon Peres, 73, who was defeated in the general election a year ago. Page 4

ruling Liberal party won Canada's general election, but with a reduced majority. Page 12; Poll opens cracks in face of Canada, Page 6; Editorial Comment. Page 11



IRA terrorist suspect Roisin McAliskey was granted ball by a judge in London to allow her to move to a specialist mother and baby unit. She gave birth to a chter a week ago. Ms McAliskey is awaiting extradition proceedings to Germany where she is wanted for ques-

bomb attack on a British army base last summer. Ban looms for splinter groups in Northern

European hotels face shake-up: The European hotel industry will be shaken up by mergers, acquisitions and joint ventures as international chains vie to increase their presence, a report says. Page 5

SKF aims faster bearing at Japan: SKF of Sweden, the world's biggest maker of industrial rolling bearings, aims to raise its share of the Japanese market with a new bearing claimed to allow machinery to run 15 per cent faster. Page 5

Music Industry in piracy crackdown: The music industry is to create a global antipiracy network, based in London, to detect and act against manufacturers and distributors of unauthorised recordings, Page 5

Coke seeks to oust Cadbury: Coca-Cola, the world's biggest soft drinks company, is trying to force Cadbury Schweppes, number three in the US soft drinks market, out of thousands of McDonald's fast-food outlets. Page 12

S Korean finance ministry faces curbs: South Korea's powerful finance ministry could see its influence curbed under plans announced by the government-backed financial reform committee. It proposes granting independence to the country's central bank. Page 12

Japan approves tough spending cuts: Japan adopted proposals for severe spending cuts in an attempt to reverse the country's deficit-ridden finances. Page 7

World Bank to copy Burger King: World Bank president James Wolfensohn is encouraging managers to think more like Burger King employees. He said the bank, like the restaurant chain, was continually seeking to improve its service to clients. Page 12

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O THE FINANCIAL TIMES LIMITED 1997 No 33,308



WEDNESDAY JUNE 4 1997

Bundesbank wins the argument over qualification for

Waigel backs down on gold

Ralph Atkins in Bonn

The German government yesterday abandoned its Social parties, said there attempt to use profits from evaluing the country's gold reserves to meet the criteria for Emu this year, in the face of massive opposition from the Bundesbank and the public.

Waigel, the finance minister, and Mr Hans Tietmeyer, the reached broad agreement to settle their damaging dispute. year. But the government, in a crucial concession to the Bundesbank, accepted that the transfer of the proceeds to Bonn from the resulting capital gain would only take place in 1998, in line with the Bund-

This means Mr Waigel will no longer be able to count the proceeds of a gold revaluation towards meeting, in 1997, the criteria for economic and monetary union laid down in the 1992 Maastricht treaty. The government will have to resort to other measures to reduce its deficits if it is to meet the

esbank's normal accounting

Although the agreement still needs the approval of the Bundesbank's decision-making central council, Mr Waigel's climbdown should take the sting out of the dispute that has highlighted Germany's financial problems and cast doubt on the future of the euro, the planned single European currency. After the min-

ister met MPs, Mr Wolfgang Schäuble, parliamentary leader of the coalition's Christian Democratic and Christian would have to be greater efforts to bring Germany's public deficit below the 3 per cent of gross domestic product needed to qualify for Emu.

Mr Schäuble also signalled At a hurriedly-arranged an increased privatisation meeting in Bonn Mr Theo drive this year. Although privatisation proceeds do not count towards meeting the Bundesbank president, rules for Emu, they will help the government keep the federal deficit below the level Mr Tietmeyer agreed that of spending on investment and the gold could be revalued this in line with constitutional requirements.

> nothing to resolve a parallel row within the Bonn coalition over financing the federal budget for 1998, however.

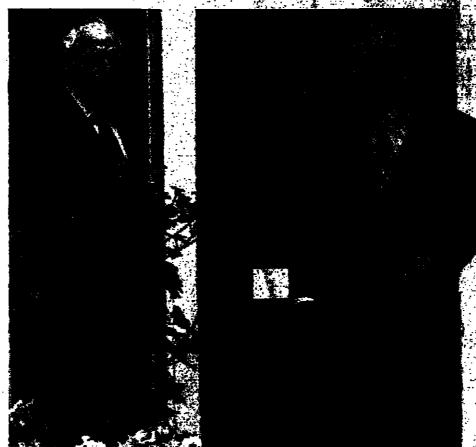
> Early in the morning the Chancellor. Helmut Kohl, chaired a second crisis meeting of coalition leaders in 36 hours in an attempt to bridge a serious rift over whether or not to raise taxes But Mr Kohl's CDU and Mr

> Waigel's CSU made no obvious progress in resolving differences with the small Free Democrat Party, the junior coalition partner. Mr Wolfgang Gerhardt, FDP leader, said Germany would be

able to solve its budget prob-

lems and meet the Maastricht

treaty criteria "without resorting to tax increases". However Mr Michael Glos, leader of the CSU MPs in the Bundestag, the lower house of the Bonn parliament, countered with his "personal view"



Hans Tietmeyer, left, and Theo Waigel leave the Bonn finance minist

many could meet the Maastricht criteria credibly without a tax rise". Mr Waigel has consistently refused to rule out higher taxes against a background of rumours that he is seeking either to raise oil and petrol duties, or to delay an

Germany,

are also opposed to tax opposition motion demanding - Mr Christian Wulff, the CDU leader in Lower Saxony, warned that Peace with the Bundesbank higher taxes would damage his Page 2; Editorial comment agreed 1998 cut in the solidar party as well as the German Page 11; Lex. Page 12; Governthat he did "not think Ger- ity surcharge, imposed on tax- economy. Mr Waigel will today.

payers to help finance eastern gives statement to parliament Germany, on his gold revaluation plans Some members of the CDU and defend himself against an

likely to cast a pall over Ekran's stock for some time. "It is almost unheard of in Malaysia for any IPO [initial public offering) or rights issue to be undersubscribed," said

one analyst. "This is a significant event," The lacklustre investor response is partly the result of M\$5.70 a share, which is higher than the price at which the stock has been trading for much of the past two weeks. Ekran closed up 30 cents yesterday, at M\$5.75, after what analysts said was concerted

buying by institutions aiming at bolstering the share price. The shares hit a high of M\$12,30 last year, when gov-ernment backing for the project persuaded many investors that little could go wrong. Of

Continued on Page 12

Mexico plans to break cycle of

By Lesfie Crawford in Mexico City

Zedillo seeks faster growth, investment Mexico's government yester-

day announced a three-year economic plan designed to speed growth hoost investment and prevent a recurrence of the financial crises which have affected the country at the end of each six-year government term.

This is the first time the finance ministry publishes detailed, medium-term macroeconomic and fiscal projections, and we are doing so to break the six-year cycle of economic crises," said Mr Guilermo Ortiz, finance minister. The National Plan for Financing Development outlines President Ernesto Zedillo's economic goals until the end of his administration in

December 2000.

force each year, the government aims to speed up economic growth from an estimated 4.5 per cent this year to 5.6 per cent in 2000.

Investment is forecast to rise from 20.9 per cent of gross domestic product in 1996 to 25.4 per cent at the turn of the century.

The government expects almost all the new investment to be financed with internally generated domestic savings, in marked contrast to previous booms which were funded with foreign borrowings.
"We will use foreign funding

only as a complement to the effort that will go into raising Mexico's domestic savings

Mexicans who join the labour rent account deficit, which bank are at loggerheads over grew to an unsustainable 8 per cent of GDP during the 1994 financial crisis, is projected to reach a maximum of 3.2 per

cent of GDP in 2000, he said. Foreign direct investment, rather than the volatile shortterm capital flows of the past, is expected to cover most of the balance of payments gap.

Unlike previous national development plans, President Zedillo's blueprint contains almost no discussion of foreign exchange policy or the role of the debilitated banking sector in Mexico's economic recovery.

The document commits the government to maintaining a freely-floating exchange rate, even though the finance minis To create jobs for the 1m rate," Mr Ortiz said. The cur- try and autonomous central

the recent appre peso. Central bank officials favour a strong peso to contain. inflation, but the ministry, which has the final word on exchange rate policy, is understood to favour a more competitive peso. ·

"The government will need to maintain an undervalued

peso if it wants to incre domestic savings," says Mr Rogelio Ramirez, of Ecanal economic constitants in

"A strong peso has always given us an artificial sense of well-heing. We consume more and imports rise."

Over the past year, in which the peso has appreciated about 15 per cent against the dollar, imports of consumer goods have grown 52.7 per cent.

Retired IT veterans asked to cure 'millennium bug'

A state government in the US is bringing information technology veterans out of retirement to correct ancient software programs riddled with the "millennium bug".

A bill going through the Oregon legislature will allow pensioners to work full-time and keep their retirement benefits - provided they are employed in solving the Year 2000 problem. This old guard of IT veter-

third of a 200-strong "Y2K Corps" which Oregon is setting up to amend software that will otherwise fail when faced with dates after 1999. The pensioners will contribute knowledge of languages such as Cobol and Assembler, which were used to develop applications for mainframe

"People thought Cohol was a dead language and moved on to newer ones," said Ms Julie Pearson, statewide technical education manager, who is recruiting school leavers as well as retirees into the Y2K rather than four.

The employment of IT veterdevelop the programs now becoming unstable, is intended to reduce the estimated \$86.9m cost of fixing ans is expected to make up a computer systems in Oregon state offices by a third. The state estimates it can pay them half the rate outside

consultants would demand. The UK Department of Trade and Industry and business organisations will also explore the use of a "Dad's Army" to tackle the millennium bug at a skills summit computers in the 1960s and organised by Taskforce 2000, 1970s but fell out of favour an agency backed by the Con-

The origin of the millennium bug lies in the cost of computer memory at the time

many programmes on mainframe computers were writ-ten. Developers saved space by storing the year as two digits Many ageing program

which assume correctly that ans, some of whom helped 97 means 1997, will become confused after the turn of the millennium and wrongly identify 01 as equivalent to 1991 The problem, although

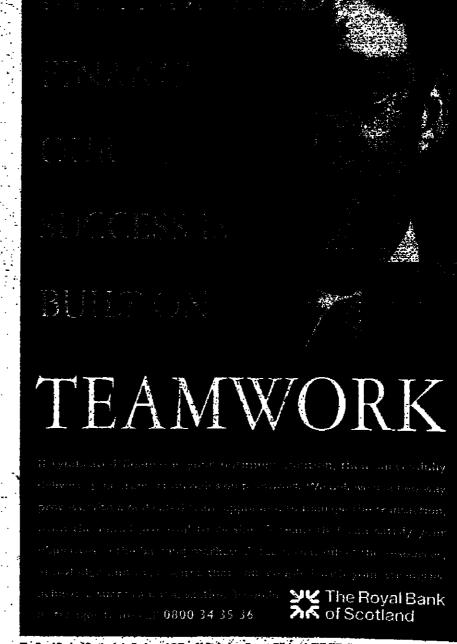
straightforward, is costly to correct. In the UK, 300,000 additional IT staff are needed. according to Taskforce 2000. Computer service companies such as Cap Gemini have developed software tools to speed conversion of software. and some work is being sent

to contractors in developing

countries such as India, where wage rates are lower. Gold Markets: Int. Bond Senice ... Managed Funds 25-27

Arts Guide

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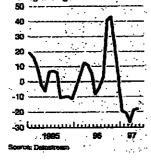
car jobs

Tension is mounting between the French Socialists and the country's struggling carmakers within days of the left's emphatic general election victory.

Two leading party figures yesterday criticised the carmakers Renault and Peugeot-Citroën for their measures to cut costs.

Ms Elisabeth Guigou, the minister, hit out at Renault's recent decision to close its Vilvoorde factory in Belgium, saying the company was "brutal" and had not "explored every possibility". She called for new discussions to explore whether "there are other possible

New car registrations Annual % change in 3-month moving average



courses of action". She said the measures demonstrated the need for "a special European strategy in the automotive sector"

Mr François Hollande, the senior Socialist spokesman, criticised Peugeot's handling of the announcer of more than 2,800 job cuts in France for the year starting next month.

He said it was "not normal" that France's new leftwing majority had not been informed of the move, or that the announcement should come so soon after Sunday's vote. "We will not allow the carmakers to do away with jobs without referring the matter to the public authorities," he said. He continued: "There is a real problem in the car industry; that is why we must get consumption going

Peugeot said the timing of the announcement was a

again."

Yesterday's comments came in the wake of monthly figures showing new car registrations in France in May down 23 per cent from a year earlier at 120,593 units. This brought the running total for the year to date to 691,465 registrations, 22.6 per cent lower than the same period of 1996. The collapse is largely explained by the termination of a government and industry incentive scheme. The French carmakers,

along with Fiat of Italy, have been worst hit by falling sales, with registrations of new Peugeot-Citroens down 28.3 per cent in the year so far and Renaults down 20.4 per cent.

Manufacturers have become progressively more pessimistic about prospects for the French car market. Peugeot-Citroën is forecasting a 13.3 per cent year-onyear decline to some 1.85m units this year.

Mr Jacques Calvet, Peugeot-Citroën chairman, suggested France was likely to be only the fourth-largest European new car market in 1997, behind Germany, the UK and Italy.

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Emu commitment has high price for Waigel say economists

Peace made with Bundesbank

Frankfurt and

Mr Theo Waigel, the German finance minister, has been left severely weakened by the hurried moves towards settlement of his government's dispute with the Bundesbank over the revaluation of its gold reserves, economists said yesterday. The moves may have kept Europe's single currency on track they said, but at what cost to Mr Waigel's reputa-

Under the deal between the government and the central bank, the revaluation of gold reserves will still take place but proceeds will not be transferred to Bonn until next year. Details of how the budget gap will be filled and troversial gold revaluation previously promised. The ation plan met the terms

the criteria for European monetary union met have yet to be worked out.

"This is a double whammy for Mr Waigel," said Mr Stefan Schneider, Frankfurtbased economist at Paribas Capital markets. "Not only does he not get the money for the 1997 budget, but he has lost credibility in a big But he added: "Mr Wai-

gel's attack on the Bundesbank shows a 100 per cent commitment by the government to Emu. If he is preared to sacrifice his credibility, it shows how important this is." With the German public

already sceptical about Emu. Mr Waigel's helicopter dash to the Bundesbank two weeks ago to press his con-

plan has certainly not made the euro more palatable. "It was a miscalculation and he has had to take a few blows to get out of the situation," said Mr Thomas Mayer, chief German economist at Goldman Sachs in Frankfurt.

"It is a policy of trial and error," he added. He thought the government would not be able to find enough money this year for Germany to be able to meet the budget criteria for Emu, under which the deficit has to be within 3 per cent of gross domestic product or moving towards that level.

Mr Mayer also said the message from the gold revaluation episode and the French election, was that Emu would start with a less

European central bank of the Maastricht treaty. would have to counter this by tighter monetary policies. Speaking before the outlines of a settlement

emerged, Mr Edgar Meister, a Bundesbank director, warned financial markets not to assume prematurely that Emu would start on time in 1999. "The way towards European monetary union is proving more stony for several countries including Germany - than

The European Commission breathed a sigh of relief at the end of the German standoff. Without a deal, the Commission and Eurostat, its independent statistical arm, would have faced the delicate task of passing judgrestrictive fiscal policy than ment on whether the revalu-

Officials acknowledged that the gold compromise would not end the volatile domestic debate in Germany where three quarters of the public are sceptical about

giving up their D-Marks. Another unknown is how the French Socialist victory will affect the Emu project. The chief worry in Brussels is the Socialists may try to unpick the accord reached last December between the French and German governments on budget discipline.

During the election campaign, the Socialists critic-ised the pact as too rigid, especially the proposed fines on countries breaching the deficit ceiling of 3 per cent of gross domestic product

Editorial Comment, Page 11

Communists ready to take part in Jospin government

By David Owen in Paris

France looked last night to be on the verge of getting its first communist ministers in more than a decade after Mr Robert Hue, national secretary, proposed that his party take part in Mr Lionel Jospin's new Socialist-led government. The move the government will adopt a more sceptical line on Europe.

The two largest of the other leftwing parties, the Eurosceptic Citizens' Movement and the Radical Socialists, also said last night that they were ready to take part in Mr Jospin's government. The cabinet line-up will be announced today. On the right, the jostling for power

in the defeated RPR/UDF alliance intensified with several senior RPR members urging Mr Alain Juppé, the ousted prime minister, to stand down as party president and Mr Raymond Barre, a former prime minister, urging President Jacques Chirac to "pay the price".

Mr Juppe later announced an extraordinary meeting of the RPR to elect a new president "as soon as possible". He also announced the appointment of Mr Jean-Louis Debré, the former interior minister, as interim secretary-general of the

This jockeying for position was is likely to reinforce concerns that mirrored in the ranks of the UDF. where Mr Gilles de Robien resigned as the president of the party's group in the National Assembly to prevent its "balkanisation". Mr de Robien looks set to be succeeded by Mr François Bayrou, the former education minister. Mr Bayrou had been thought keen to establish a separate centrist group in the new parlia-

The new prime minister's entourage let it be known that he planned to accompany Mr Chirac to important forthcoming international meetings, including the European Union summit in Amsterdam on June 16-17 and the Group of Seven summit in Denver on June 20-22.



Alain Juppé waves to staff after handing over to Lionel Jospin (left)

As business leaders waited anxiously for clear indications of the new government's stance on the main economic issues, Ms Nicole Notat, moderate leader of the CFDT improve the prospects of the sale at trade union, defended the planned a relatively early date.

float of a minority stake in France Télécom, saying it was not "incompatible" with the "real missions of public service". Her comments may

German row grows over Sweden says No status of Landesbanks

By Andrew Fisher

Germany's private sector banks yesterday took a more aggressive line in their dispute with their public sector counterparts, accusing them of political blackmail in linking the preservation of their competitive status to their support for the planned European single

currency.
Mr Manfred Weber, director of the German banking association - representing 300 banks, including Deutsche Bank, Dresdner Bank and Commerzbank - also criticised the government for apparently bowing to pressure from public sector banks by seeking to have their state-backed guarantee status written into the Euro-

pean Union treaty. This follows the government's submission of an amendment to the intergovernmental conference (IGC) on EU treaty changes which reaches a conclusion at this month's Amsterdam summit. This seeks to write into the treaty the guarantee status of Landesbanks, which provide financial services to the regional states (Länder) and savings banks.

about the amendment, "This is all happening behind the

and his main rival, Mr Bertie

Ahern. Fianna Fail leader.

The possibility that nei-

nor the Fianna Fail-Progres-

independents, whom some

see holding the balance of

Minority governments

have fared reasonably well

in the past, but it is an indi-

cation of the main parties'

concern, that both Mr Bru-

ton and Mr Ahern this week

election.

Mr Jan Mojto, managing director of the Kirch group, the German private broadcaster, vesterday condemned a proposal to exempt public service broadcasters from European competition rules, saying the move would squeeze commercial television and put thousands of jobs at risk, Emma Tucker

reports from Brussels The draft protocol, tabled by the Belgian government, will be presented for inclusion in the EU's founding treaty, due to be revised at the Amsterdam summit in two weeks.

It would allow governments to provide public broadcasters with unlimited funding even if this resulted in a competitive distortion.

Commercial broadcasters unanimously by the 15 fear their publicly owned member states.

scenes." He said other EU is the high credit ratings governments and foreign awarded to public sector banks were also alarmed at banks because of their guar-Germany's attempt to enshrine public sector bank

European law. cal blackmail should not amendment succeeded, "it bear fruit," Mr Weber said. would be a tremendous blow Mr Weber accused the gov"Otherwise, the European to the idea of a level playing ernment of keeping quiet integration process would be field in Europe".

At the root of the dispute Page 14

competitors would use the freedom to cross-subsidise new activities, such as digital television and "online" services.

"The commercial broad casters would have to compete with a public system which could in theory have access to unlimited resources," said Mr Mojto, speaking on behalf of the Association of Commercial Television.

The plans already have the backing of a majority of member states, including Germany. However, some countries, including Fin-land, the UK and Spain, have doubts and may put forward amendments. To become an integral part of EU law the protocol would have to be supported

antee status. Mr Robin Monro-Davies, status and privileges in managing director of IBCA.
European law. managing director of IBCA.
the London-based credit rat-"Such an attempt at politi- ing agency, said if the Bank Austria privatisation,

to first wave of 'uncertain' Emu

By Greg Mctvor in Stockholm

Sweden's ruling Social Democratic government yesterday excluded the country's participation in the first wave of the proposed 1999, declaring the project very uncertain" and lacking in public support.

The announcement, by the SDP's national executive committee, confirmed months of speculation. The prime minister. Mr of the big Metall industrial

Göran Persson, stressed, however, that the decision to delay "did not close the door forever" on Swedish participation in Emu.

Were circumstances to change, he said, Sweden could consider joining after the next general election, due in September next year.

Mr Persson committed the SDP to holding a general election or referendum on Emu were it to decide at a future date to recommend Swedish entry.

By holding open the possibility of Emu entry before the 2002 general election, the SDP's No was somewhat and unemployment - cursofter than analysts had

expected. The bond market had closed when the announcement came but the Stockholm bourse rose 0.6 per cent in late trading and the krona strengthened

against the D-Mark. Economists said the deci-European single currency in sion gave the government room for manoeuvre should public opinion soften. However, a rigorous fiscal regime would be required to enable Sweden to stand on the side-

Mr Göran Jonsson, leader workers' union and a member of the SDP national executive, said the decision opened the chance for Sweden to join before 2002. But the Federation of Swedish Industries called the outcome "extremely regrettable", saying it would create uncertainty and damage the

economy. Mr Persson said he took fears that Sweden might be penalised by financial markets for staying out "with a pinch of salt".

Mr Persson predicted public antipathy to Emu would ease once Sweden's economic recovery took root rently at record levels - fell.

EUROPEAN NEWS DIGEST

Germany fines cable makers

The German cartel office yesterday fined 14 manufacturers of high voltage cables DM265m (\$155m) for illegal price-fixing and market manipulation. The cartel office said the companies, led by Siemens, had established a "wide-ranging hierarchically structured organisation" to fix market share and prices within the industry. It said the economic damage was incalculable as the cartel system had been in operation since 1902 and

therefore no comparisons could be made to a non-rigged market. The fine, the highest handed out by the cartel office, represents some 10 per cent of the sales of the bigger high voltage cable manufacturers. Siemens was fined DM58.6m. The overall burden on the Munich-based company, however, will be higher as one of its subsidiaries, the east German company Bergmann Kabel und Leitungen, was fined DM30m.
Other companies fined include Kabel Rheydt, Felten &

Guilleaume Energietechnik and ABB Kabel und Draht. The cartel office is still investigating two smaller companies - KWO Kabel, a Berlin-based subsidiary of BICC, and Waskönig + Walter. Siemens said it had decided not to appeal against the decision. Separately, the cartel office said it was investigating claims of uncompetitive behaviour in the cable television sector by Deutsche Telekom, the partially-privatised

Frederick Stüdemann, Berlin Italy unveils draft euro law

Italy, confident it will be among the first countries to adopt the European single currency, unveiled a draft law vesterday covering the introduction of the euro and said it would convert its debt mountain into the new money. "This is not just a formal thing but also a

demonstration that we are going forward - it means we are beginning the operational aspects," said Mr Romano Prodi, the prime minister, after his cabinet had approved

The draft law must be ratified by both houses of parliament, but little opposition to the package is unlikely since most Italian parties are in favour of European

economic and monetary union (Emu). Mr Carlo Azeglio Ciampi, treasury minister, said the government would convert all its negotiable public debt into euros from January 1 1999. "This will favour the creation of a critical mass in euros on the markets which will give assurances and will increase the credibility of the system."

Belgium, France, Austria and Spain have already said they will convert their outstanding debt into the euro, while there is still some uncertainty over Germany's

Hungary sees rise in jobs

First quarter figures showing an increase of 10,000 (0.3 per cent) in the number of people employed means a 10-year trend has been reversed, Mr Peter Kiss, Hungary's labour

minister, said yesterday. Quoting Central Statistical Office figures, due to be published today, he said increases in employment now paralleled improvements in the economy. In a population of 3.6m, registered jobless figures fell 10.500 in May to 471,800, an improvement of 18,000 on the same month last year. Most jobs created were in the services sector. CSO figures put the rate of unemployment at 9.4 per cent, 1.5 per cent below the EU average, Mr Kiss said. Support worth Ft30bn (\$160m) would be made available for further

es are cor roduction which shows a 6 to 7 per cent increase in the first quarter, said Mr Gabor Oblath research director at Kopint Datorg, a Budapest based research company. "It's an indication of a turnaround. I don't know if domestic sales have risen, or whether it's just from exports." he said.

Portuguese cement sales up

Cement sales in Portugal are estimated to have risen by 22.5 per cent in the first quarter of this year compared with the same period in 1996. The rise emphasises the strength of the country's construction market, which has been bolstered by spending of EU structural funds on infrastructure.

The Association of Construction and Public Works Companies estimated that 850,000 tonnes of cement were sold in April. 23 per cent more than in the same month Andrew Taylor, London

Pope blesses EU ambitions



Pope John Paul II yesterday backed the claims of all the ten central European countries for European Union membership, He told central European leaders: "Europeans should co-operate and groupings which are currently being formed should not exclude any country even the weakest." The call was delivered in Gniezno in Poland at a meeting with the presidents of Germany, the Czech and Slovak republics.

lu with

Hungary, Poland and Lithuania, all of which bave applied to join the EU. Also present was President Leonid Kuchma of Ukraine which appears determined to forge close political links with the central European region to balance relations Christopher Bobinski, Warsatt

Irish election brings the independents into focus

Main parties' concern is seen in warnings of instability, writes John Murray Brown in Ireland of a hung parliament is concer trating minds as Mr John warned of the dangers of political instability.

40 per cent in one west of political instability.

40 per cent in one west of first preference candidate is preference candidate is lireland. At one stage, the eliminated, his vote is trans-so-called deflector lobby had Bruton, the prime minister,

The 200-odd independents prepare for Friday's general variety of sometimes eccentric single-issue candidates from the Catholic right to ther prospective alliance the Legalise Marijuana party the outgoing coalition of Mr Bruton's Fine Gael, Labour of the disaffection with the and Democratic Left (DL). political system. This is pronounced among young votsive Democrat (PD) team ers and in rural Ireland. will have the necessary 83 where much of the grievance seats to form a government, is targeted at Brussels over has turned attention to the

> Dr Garret Fitzgerald, the former Fine Gael prime minister, says Ireland has not seen such alienation from the traditional party system since the 1940s. Few analysts believe the return to the main parties independents' current rating under the system of trans-

fisheries and farm policies.

translate directly into seats - Greens, republicans and a in the 166-member parliament under Ireland's proportional representation system. But opinion polls have - provide a telling measure actual votes cast for independents.

Dr Fitzgerald predicts they could pick up 10 seats in the new Dail, which if the result is as close as polls suggest, would make them the kingmakers in any new govern-Mr Richard Sinnott, pro-

fessor of political science at

University College, Dublin,

points out that many of the

independent votes will

ferred to the second choice. But even if the independents fail to make the breakthrough some are forecasting, the transfers could be tended to underestimate decisive in shaping the new Ireland has had its maver-

ick issues before: whether it was the trout rod licence controversy in the late 1980s or the pot-hole candidates of eartier elections. In the run up to calling an election. Mr Bruton

shrewdly neutralised two of the most contentious local issues. In a populist move, the government offered to review the position of operators of unlicensed transmission stations broadcasting constituencies. - 16 per cent nationally and fers, whereby when a voter's British TV to the west of

so-called deflector lobby had threatened to stand candi-

Separately, the local government finance bill, passed in the same week Mr Bruton announced the election date. silenced those calling for rural water charges. Mr Ahern has said that

even if the government's majority depends on it, he has ruled out bringing Sinn Fein, the IRA's political wing, into his coalition in the event of an inconclusive result. Fianna Pail is keen not to alienate potential PD transfers, though party strategists expect Sinn Fein will be a source of key transfer votes in a number of border

In the outgoing Dall, there

were six independents, including one Green. Polls suggest the Greens could secure as many as three seats this time, and Sinn Fein may take Cavan-Mon- Fianna Fail is under threat aghan at the expense of from an independent. But Fianna Fail.

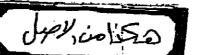
The threat posed by independents is potentially greatest for Mr Ahern, as the bulk are disaffected former Fianna Fail officials.

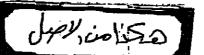
vote will return to Flanna Fail on subsequent counts. Prof Sinnott says: "In the past, independent transfers have tended to go anywhere but Flanna Fail". The government can expect to pick up Green transfers, while wing candidates.

in constituencies where its sitting MPs are retiring. It has nine outgoing MPs who are not contesting the election, against three for Fine Gael and three for Labour. In four of those seats, given the parochial nature of some of these contests, it is difficult to see how independents will fare nationally.

In Tipperary North, Mr Michael Lowry, the former Some of the independent Fine Gael minister now standing as an independent looks set to top the poll, don't bling his vote. It seems that such is the

continuing acrimons between the main centre right parties in rural ireland. that Fianna Fail supporters Labour and DL will benefit are ready to vote for Mr from some urban-based left. Lowry merely to spite the official Fine Gael candidate





and Richard Adams

Bulgaria's hopes for a rapid Lv16,150bn (\$10bn) budget strengthening of its economy were bolstered yesterday by International Monetary Fund approval of the country's 1997 budget framework, which will be submitted to parliament shortly.

The Bulgarian government also announced yesterday that it wanted to anchor the lev, the national currency, to fixed exchange rate of Lv1,000 from the start of

The IMF has agreed with budget deficit of 6.2 per cent part of the deal to back a currency board monetary according to Mrs Ann McGuirk, IMF mission leader. This is higher than the 3.8 per cent target set initially by the Fund, but Mr Muravei Radev, finance minister, explained that this was the only achievable balance

still experiencing a decline minister, said yesterday that in industrial production," Mr the government's proposal to Radev said. Revenues in the are estimated at 27.3 per cent of gross domestic product, and expenditures at 33.5 per cent. Revenues from privatisation are expected to cover

3.6 per cent of the deficit. As soon as the IMF board approves the review mission's report, a tranche of \$130m is expected to be released from the \$658m loan package sanctioned by the board last March.

The issuance department of the central bank, which will assume the functions of the currency board management, will therefore have around \$1bn in foreign exchange reserves by July 1. when the tight monetary

Under the currency board, money supply will be tied to Lv1,000 level against the the level of foreign exchange reserves. The system will deprive the government of the power to subsidise the budget or bail out loss-mak-

peg the lev to the D-Mark at Lv1,000 would be included in the central bank bill which has to be adopted by parliament this month as part of a package of laws needed for the introduction of the new monetary regime.

Emerging market currency analysts in London said the lev had appreciated recently against the D-Mark and the US dollar, the denominations that account for about 50 per cent of Bulgarian foreign-de nominated trade. Yesterday the currency was trading at around Lv950 per D-Mark, and around Lv1500 against the dollar.

However, in March the IMF had envisaged a lower value for the lev against the dollar - Lv2,000. Some London analysts think the D-Mark is too strong, since the German currency is likely to rise against the dollar, forcing the lev and the Bulgarian trade deficit up

Russia moves to unify markets supervision

By John Thornh面 in Moscow

Russia's Federal Securities Commission yesterday welcomed government moves to overhaul the supervisory regime for the country's unruly capital markets, saying they would lead to clearer and more effective

But industry observers suggested the commission had lost out to the central bank in a battle to shape the course of Russian capitalism. Russia's commercial banks were now likely to play an even more influential role in

the economy. deputy chairman of the securities commission, said the decision to unify the regulatory regime for both debt and equity markets would . strengths. This would lead to

UK will

Rühe on

Mr George Robertson, the UK defence secretary, will today urge his German counterpart, Mr Volker Rühe, to

maintain funding for the Eurofighter project as an important part of the conti-nent's industrial base.

"I hope to get over the message that an early decision is critical for the suc-

cess of the project," the UK minister said in Washington, where he held talks at the Pentagon on European security and US-UK defence

due for repayment in 2000.

Mr Rühe has also offered to

transfer to the Eurofighter funds due to be spent on

upgrading tanks, armoured

On other European secu-

rity issues. Mr Robertson

confirmed the first wave of

Nato enlargement would

probably embrace only three

countries - Poland, the

Czech republic and Hungary.

While absorbing Slovenia

excessively, it appeared that

Romania "might be too

"would not disturb" Nato

cars and munitions.

fighter

By Bruce Clark in Washington

press

more rigorous scrutiny of licensing and trading procedures in both markets.

Previously, the central bank had primary responsibility for regulating the government debt market while the Federal Securities Commission monitored the equity market.

But these split responsibilities led to frequent and furious turf wars between the two agencies.

Mr Anatoly Chubais, first deputy prime minister, said the main task of the state regulators would be to defend shareholder rights and to enable privatised companies to issue shares Mr Alexander Kolesnikov, and bonds. They would also encourage the creation of common registry, custodial, and dealing systems for both the debt and equity markets. he said.

government's move as a

"Waterloo" for Mr Dmitry Vasiliev, the chairman of the securities commission, who had tried to build up Rus-

> Anglo-Saxon lines. With the help of foreign experts from the Harvard Institute for International Development, a US-sponsored advisory group, Mr Vasiliev had encouraged the development of an open stock market and a mutual fund industry.

sia's capital markets along

But Mr Chubais, who had previously strongly backed Mr Vasiliev's commission. now appears to have heeded the pleas of the banking lobby, which was highly critical of Mr Vasiliev.

Investors broadly welcomed the regulatory changes, hoping it would the market infrastructure commission to combine their newspaper described the rows between the central bank and the commi



From left: Paul Volcker, Edgar Bronfman and Avraham

Volcker probe to widen scope

and William Hall in Zurich

"We are committed to this aircraft, not just as a mili-The Volcker Commission, tary project, but also set up by Swiss banks and Jewish groups to investigate because it involves a large amount of the civilian dormant bank accounts of defence industry," said Mr Holocaust victims, has been Robertson, referring to the expanded to oversee the development of a claims four-nation effort in which adjudication process in an up to 150,000 jobs are at attempt to speed the recovstake. A budget squeeze in Bonn has left the project ery of funds still held by short of funds to set up pro-Swiss banks.

duction lines. Unless a solu-The decision is a snub for tion is found, Daimler-Benz Mr Hanspeter Hāni, the Aerospace, the German Swiss banking ombudsman, who until now has been the industrial partner, could run sole mediator in disputes out of money to pay subconbetween Swiss banks and their customers. When con-Under one short-term solucerns over dormant bank tion, Daimler-Benz would be accounts first surfaced last allowed to transfer to its year, he was designated as Eurofighter account the main contact point for DM250m (\$146.5m) in credits people searching for dorwhich it received from the German government to help mant bank accounts which they believe are held by launch Airbus and which are

Swiss banks. The commission's decision to expand its role coincided with the announcement in Jerusalem yesterday that its investigators would be entering Swiss banks to conduct pilot audits and document be far more lax than the curretention audits "within a

matter of days". The work of the commission, headed by Mr Paul Volcker, former US Federal Reserve chairman, had been delayed for several months because the accountants hired for the investigation wanted insurance cover tion centre last December.

those disputing their find-

ings.
The first five Swiss banks in the pilot audits are -Credit Suisse, Swiss Bank Corporation, Spar und Leihkasse Berne, Banque Cantonale Vaudoise and Pictet & Cie. in addition, the commission said it would conduct document retention audits focusing on five more banks: Banque Baumann, Banque Cantonale de Geneve, Bank Julius Baer, St. Gallische Kantonalbank and Union Bank of Switzerland.

UBS was beavily criticised after it was disclosed that it broke a Swiss government ban on shredding historical documents. However, Mr Volcker pointed out that these particular banks were not chosen out of suspicion. but rather as representative

The Swiss Bankers Association had no comment on the plan to take over part of the work of the Swiss banking ombudsman. However. the proposed claims settlement procedure appears to rent regime operated by the

Swiss banks. Mr Avraham Hirschson, chairman of the Israeli Knesset restitution committee. said his committee had received 7,000 letters from potential claimants in Israel since it set up an informa-

IMF approval for |Serbs fed up with cash crunch

Serbia: tight, loose, tight again

Guy Dinmore on discontent at the government's tight monetary policy

A umbrella and shopping bag, Mrs Ljerka Janjic marches resolutely in the rain through Belgrade. Her fellow demonstrators hold banners demanding "Don't lie to us any more and "Keep your promises". After a winter of pro-de

mocracy protests Serbia now faces a summer of discontent as the government struggles to find cash to pay its workforce. Mrs Janjic, a teacher for 40 years, was one of some 2,000 pensioners who rallied last week to demand their pensions. They are still waiting for March payments. Health workers and some

teachers have been on strike throughout Serbia for three weeks. Wages for doctors and nurses are two months in arrears and hospitals have exhausted their funds. Patients bring their own sheets, medicines and food. Even when she does get her salary, Dr Natasha Riznic, a radiologist at Belgrade's KBC hospital, says 1,600 dinars (\$270) a month keeps her family going for just a week. Doctors sell cigarettes in the streets to supplement their incomes. Unemployment is running at about 30

Money is so scarce throughout Serbia that even black market traders are short of dinars and companies are resorting to barter to meet their payments. One businessman said he accepted payment in the form of a lorry-load of fresh The scarcity is a far cry

from the crisis of the early 1990s when inflation ran into trillions of per cent and Serbia was awash with amount of unbacked dinars

central bank is attempting to stick to a tough monetary policy. Money in circulation and short-term deposits, M1. actually fell by 200m dinars to 5.3bn in the first quarter. inflation target for 1996 was "A fall in money supply is

almost unheard of," said Mr zero but prices ended 60 per Pavle Petrovic, a professor of economics and researcher at Cesmecon, a private the dinar has climbed its research and consultancy The authorities, he said,

took fright after the central bank printed a modest ment. This is the right envi-

tor workers and pensioners. The dinar immediately nose-Petrovic. Serbia could begin dived on the black market in to hope to attract short-term some parts of the country by credits, he added. 40 per cent to 5.0 to the D-mark. The government's for manoeuvre is con-

cent up on the year. Since the start of the year way back up to 3.5 to the D-mark, close to its official rate of 3.3. Inflation has tum-

"It's an important achieve-

The government's room strained by a fiscal deficit of 3.4 per cent of gross domestic product and a balance of level reached in 1989, while

Unlike other governments, Serbia is unable to raise money on the domestic market as investor confidence is

reached 8 per cent of GDP

blocked by political conditions attached by the European Union and the US on its reentry into the International Monetary Fund.

Prof Petrovic noted that industrial production in the first quarter of this year was 3 per cent less than in the last quarter of 1996, and if the current trend persists then the growth rate for 1997 will be zero.

"It seems a kind of reces sion is coming out of this tough monetary policy," he

Serbia faces parliamentary and presidential elections by the end of the year and analysts expect the ruling Socialist coalition will eventually loosen money supply and try to appease an angry electorate by meeting back payments of wages and pen-

"It's very common in this part of the world to give excess wages at times of elections," Mrs Danica Popovic, an economist com-

She said Mr Slobodan Milosevic, the Serbian president, was pursuing a tight monetary policy to stabilise economic progress but had no overall strategy of reforms such as privatisa-tion or closure of loss-making state enterprises.

. Serbia's industrial output is about 40 per cent of the payments deficit that capacity utilisation is 36 per

> "We now have a stable currency without growth. It's a typical recession. The



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Nigerian military retires hurt |Global banks

Botched intervention in Sierra Leone has left the army regime morally exposed

ilitary officials in Nigeria closed ranks last night after Monday's botched effort to intervene in in Sierra Leone in which soldiers from one of Africa's largest and richest nations were forced to withdraw under fire from fighters of one its smallest and poorest.

Speaking from exile in the Guinean capital, Conakry, Mr Ahmad Tejan Kabbah Sierra Leone's deposed president told the BRC's African Service that he had invited Nigeria to take military action to overturn an army coup 10 days ago. There is complete anar-

chy in the country at the moment," he said. "Some body needs to restore law and order there "

Despite many nods and winks from western powers and anxious appeals from Sierra Leonean diplomats, Nigeria had no mandate from either the United Nations, or from the Organisation of African Unity

While no official explanation has been given for the intervention, Mr Tom Ikimi, Nigeria's foreign minister, said at the weekend that his country had been prepared to work with its neighbours in taking "appropriate measures" to help restore Mr Kabbah's elected govern-

Bundu, a former executive

Mr Ehud Barak was last

night poised to become head of Israel's Labour party,

marking the departure from

political life of Labour's pre-

About 167,000 Labour

members were voting across

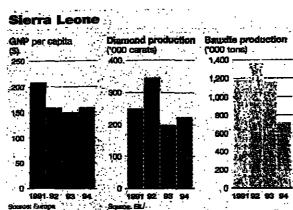
the country in a four-

cornered contest which he

main rival is Mr Yossi Bei-

war generation of leaders.

By Judy Dempsey



James Jonah, Sierra Leone's UN envoy: coup to end soon

Few recognise any irony in the restoration of democracy in Sierra Leone by a regime which came to power after the army annulled elections

Community of West African States (Ecowas), has insisted that the sub-regional grouping at present chaired by Nigeria has no mechanism to allow for such action. He described Monday's events as "totally unwarranted and unjustified".

Nigeria began a naval bombardment which quickly in Sierra Leone by a Nigerexposed the vulnerability of its troops on the ground to the new alliance between government troops and former rebels which has been forced since the coup. How strategic planners could have so miscalculated the situation is now as much a matter for speculation as what Nigeria will do next.

date with a Sephardic or

North African background.

and Mr Ephraim Sneh. 52. a

physician and former health

All four are vying to suc-

who took over the leadership

- and the post of prime min-

ister - following the assassi-

by an Orthodox Jew in

minister.

was favourite to win. His nation of Mr Yitzhak Rabin

lin, 48, a former minister and November, 1995. Mr Peres.

one of the architects of the last of the party's leaders

would have shown the world of what we are capable," one defence official said. "We could have eased this talk of sanctions and presented our- to be challenged at a time of selves again as the friends of western interests".

Few in government, how-

sional Ruling Council will certainly have been keen to impress on junior officers and below the dangers their persistent criticism of involved in trying to mount But while the prospect of easy success had its many attractions, the risks involved in failure are

shift the party's political pro-

been anxious to alert its own

neonle to the dangers

involved in allowing security

rising frustration over the

manner in which the coun-

try's latest effort at transi-

tion to civilian rule is being

handled and continuing eco-

nomic decline. The Provi-

wish them good luck." so much at stake that it will

set up plan for be very hard not to press ahead," one defence attache self-regulation in Lagos noted. "But exactly what they hope to achieve and how long it might take is harder to predict." In 1990, General Ibrahim

By George Graham in Interlaken

ous military ruler, led a multinational regional force into Liberia to try to end chaos and civil strife there. That force remains in place today, and is only now close to realising its mission to help restore constitutional gov

Bahangida, Nigeria's previ-

ernment

Sierra Leone's internal problems are at least as complex. While the elections which brought Mr Kabbah to power were widely regarded as free and fair, his government failed to arrest the decline of an economy blessed with a wealth of nat-Mr John Heimann, chairural resources but now

among the poorest in the world. He proved incapable of dealing with dissent within the military which accused him of ethnic blas, and of failing to deliver a genuine peace to end a bru-Both army and rebels markets".

lems, and nor do we. But if resort of Interlaken.

eading international banks are planning to set up a new system of global self-regulation to cut through the maze of national banking regula-

The Group of 30, a Washington-based think-tank grouping banks, academics and government officials, is to recommend the creation of a standing committee to set standards for evaluating the risk management procedures and internal controls of global financial institu-

man of global financial institutions at Merrill Lynch, the US-based investment bank, said the G30 working party had concluded that there was "an inherent contradiction in national supervision of global firms and global

"More effective global supervision is needed, but the creation of a supranational supervisory body is neither realistic nor desirable," Mr Heimann said after presenting the G30 conclusions yesterday to a meeting of senior bakers in the Swiss

establish a benchmark for the financial industry. Banks which failed to comply with its standards could be penalised by being asked to put up more collateral in interbank dealings, for

The G30 has had previous successes, such as the establishment of industry standards for the disclosure of financial derivatives activ-

Banking and securities supervisors have been struggling to work more closely in the wake of financial disasters such as the collapse of Barings, which cut across national and industry boundaries.

The seven leading industrial nations have been looking for ways of improving global financial regulation, and their leaders will discuss the issue again at this year's world economic summit in Denver.

Private sector institutions fear that efforts to agree binding international standards among regulators would result in delay, inflexibity and ineffective rules.

"Overly dense regulation makes things worse by creating an illusion of security that does not exist," said Mr The standing committee Ulrich Cartellieri, a board Antony Goldman proposed by the G30 could member of Deutsche Bank.

Call for deep cut in fishing

By Frances Williams

Environmental groups yesterday called for urgent international action to slash fishing subsidies worth more than \$50bn a year that have encouraged overfishing and the catastrophic depletion of world stocks.

A meeting in Geneva hosted by the United Nations Environment Programme and the Swiss-based World Wide Fund for Nature singled out subsidies to fleets in distant waters, a criticism aimed chiefly at the \$230m a year spent by the European Union in subsidising fishing off the coast of Africa.

According to the UN Food and Agriculture Organisation, marine fish catches have fallen since 1989, following a five-fold increase after the end of the second world war.

Many fish species are or the verge of extinction.

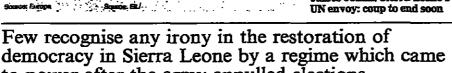
Swiss find Mobutu money

By William Hall in Zurich

The Swiss banks have found SFr4.8m (\$3.4m) of assets belonging to former Zairean president Mobutu Sese Seko and his family. The Swiss Banking Commission said six banks had reported having Mobutu-related accounts.

Switzerland, whose bank secrecy laws have often been used to hide dictators' illicit fortunes, has been accused of barbouring up to \$11bn of Mobutu assets.

Switzerland froze all of Mr Mobutu's bank accounts on May 17 and blocked the sale of his luxury villa at Savigny, overlooking Lake



ever, recognise any irony in the restoration of democracy ian regime which itself came to power after the army annulled elections in 1993. Nor have officials squared western powers' alleged interference in the country's internal affairs with the now robust involvement of the head of state, General Sani Abacha, in Sierra Leone's "A swift, clean operation domestic problems.

was defeated in the general

election a year ago which brought Mr Benjamin Netan-

have already carved out his

tion to unseat Mr Netan-

committed to take calcu-

lated risks in the Middle

East in order to achieve

vahu to power.

demic and the only candi- win an election as leader,

a coup. immense. "Nigeria now has

Shlomo Ben-Ami, 53, an aca- and who never managed to process, he is also aiming to they believed the peace pro-

New generation takes Labour helm in Israel

cess was going too fast.

tal six-year civil war.

accused him of using tradi-

tional hunters, the Kama

"Sierra Leone is a mess,"

"They didn't seem to have

their answers to their prob-

Nigeria wants to try, we

said one diplomat in Lagos.

jors, as a personal militia.

"Barak knows what he has "We have to broaden our to do," another aide said. support," a Barak aide said. "And he knows how to do Palestinians We have much catching up it." As former chief of gen-Mr Barak, 55, appears to do in trying to win over eral staff, he is often called some of the Orthodox vote "Mr Security", emphasising ceed Mr Shimon Peres, 73, strategy in his determina- as well as the working his credentials that he would class." Both sectors of socinot be soft on terrorism and yahu, declaring himself ety backed Mr Netanyahu in stressing his good connecthe 1996 election on promises tions with the military and of peace with security, more prosperity and support for the ultra-Orthodox commu-

intelligence, something which Mr Netanyahu lacks. Nor would he be soft on While seeking to don Mr nities. Above all, they the issue of Jerusalem.

other contenders are Mr of the modern state of Israel the commitment to the peace the Likud party because do with Har Homa, the new Jewish settlement which the Israeli government decided to build in March and which led to peace talks with the being suspended, he responded: "I would have done things differently.

> He said he would first have built lots of Arab housing in east Jerusalem in order to counter international opposition. But he would not say if he would stop building at Har Homa were he suddenly to be

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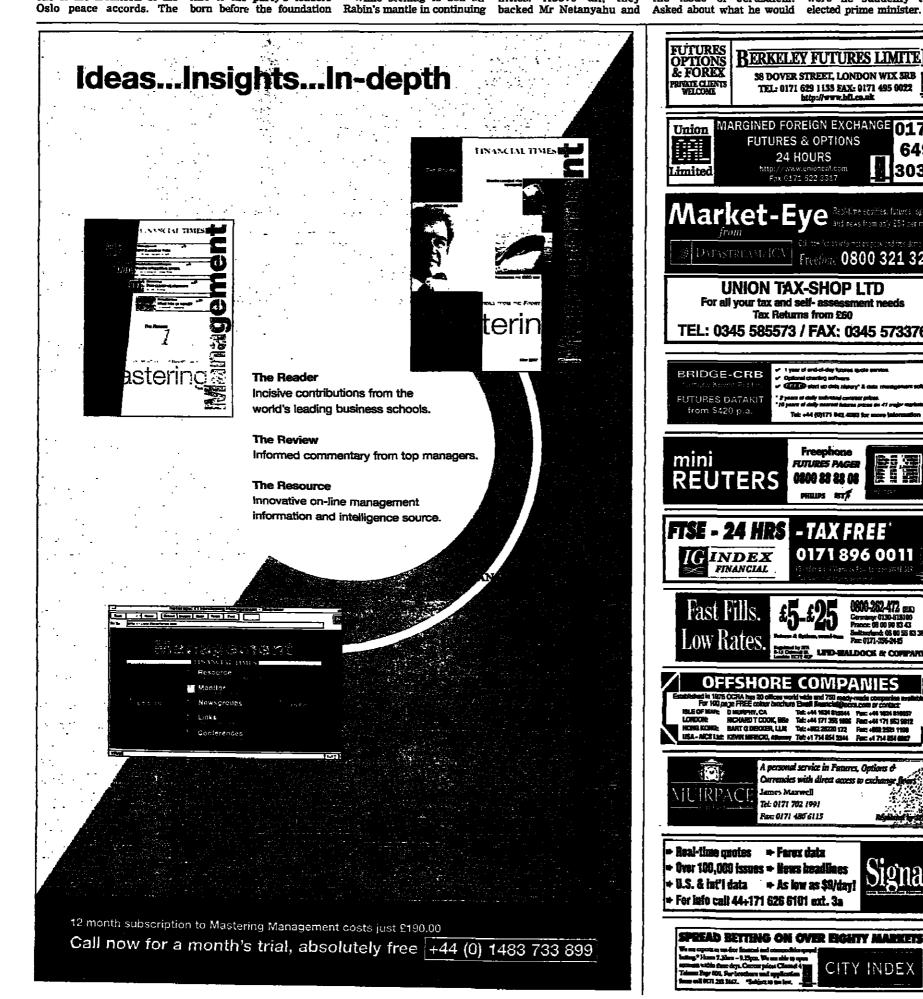
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Ehod Barak: aiming to broaden party support



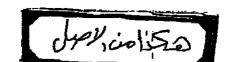


COMPANY NOTICES

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SKF targets Japan with new bearing

By Peter Marsh in London

SKF of Sweden, the world's biggest maker of industrial rolling bearings, is aiming to boost its share of the Japanese market with the launch of a new type of bearing. The Carb, or compact aligning roller bearing, is heing promoted by the company as the most important innovation in the industry

for 40 years. The Carb is claimed to enable industrial machines to run 15 per cent more quickly than conventional systems. This would boost factory efficiency significantly, as well as allowing cars to travel further for the same amount of fuel as a result of smoother running

SKF thinks its Carb system should appeal in particular to machinery users in Japan, where it has just I per cent of the bearings market compared with a third share in Europe.

Rolling or anti-friction bearings are the workhorses of industry. About 10bn are turned out every year, for incorporation in just about every machine that uses jects involving Carb, he rotary action.

The average car contains about 100 bearings, which typically comprise a pair of steel rings separated either by balls or rollers to permit smooth circular motion.

The Carb, which is just entering full-scale production in SKF plants, is based on specially shaped rollers and other parts which can move against each other in a in and out of alignment without grinding to a halt.

As a result, the bearings can handle heavy loads in difficult conditions such as a high degree of vibration.

SKF is talking to large Japanese industrial companics, including automotive components company Denso (formerly Nippondenso) and the machinery arms of Sumi- mately need replacing.

tomo and Mitsubishi, about incorporating Carb systems into their products.

Mr Peter Augustsson, SKF's chief executive, said that a priority for the company was to increase its market position in Japan which accounts for roughly a fifth of world sales totalling \$20bn a year.

NSK and NTN, the two Japanese companies which are second and third to the Swedish company in the world bearing business. between them account for roughly 60 per cent of annual sales in Japan.

Mr Augustsson believed that by the end of next year Carb was likely to account for about I per cent of the

The Carb is claimed to boost speed of machinery

company's sales of SKr33bn (\$1.3bn) a year, but expected this to grow by early next century to over 10 per cent. SKF was involved in "hundreds" of development pro-

added. "We are talking to lots of people but we don't know how big the market could eventually be." One steel-casting machine in which SKF had installed the device had been working flat-out for eight months without replacement. Under

replaced every two months. The Carb has already been "forgiving" manner, easing tried out extensively in paper-making machinery, making possible speeds more than 10 per cent higher than normal. Carmakers are also interested in incorporating

normal circumstances, bear

ings would have had to be

them in gearboxes. SKF believes the ultimate market for the Carb could be vast, given that the world contains an estimated 100bn bearings and all will ulti-

NEWS: WORLD TRADE

New global network will detect and act against unauthorised manufacturers and distributors

Music industry cracks down on piracy

By Alice Rawsthorn

crack down on piracy by detecting and taking action to co-ordinate activities against the manufacturers and distributors of unauthorised recordings.

from the London headquarworld's record companies.

It will be led by the IFPI's director is required. first anti-piracy director, to The music industry is be appointed within the next stepping up its efforts to few weeks to spearhead a team of regional directors. creating a global anti-piracy Each of these will liaise with network responsible for national trade associations

within their regions.

Mr Nic Garnett, director of the IFPI, envisaged appoint-The network will be run ing regional directors for Asia, Latin America, westters of the International Fed- ern Europe and eastern eration of the Phonographic Europe, excluding Russia Industry (IFPI), the lobbying and other former Soviet body representing the states, where piracy is so rife that a dedicated regional

North America would continue to be dealt with by the Recording Industry Association of America (RIAA), the trade body which represents the US record industry, and its Canadian counterpart.

Piracy has long been regarded as one of the main difficulties facing the world's record companies. But over the past year the problem has worsened as sales of unauthorised recordings have risen sharply.

Until recently, piracy

Anti-piracy activities in emerging markets in Asia 11m a year ago. and Latin America but is now increasing in established music markets such as North America and west-

> ously thought the problem under control. One reason for the increase is the falling price of compact disc production equipment. It now costs roughly £500,000 (\$817,000) to

ern Europe, where the

record companies had previ-

kit out a factory capable of

The availability of cheaper

equipment has intensified the financial pressure on previously legitimate production plants, some of piracy network. which have started selling ptrated discs in desperation. The RIAA seized over

200,000 illegal compact discs in the US in 1996, against just over 25,000 the previous year. Mr Garnett estimates that, on a worldwide basis. piracy cost the industry manufacturing 3m-4m discs roughly \$2bn worldwide last year, against legitimate ings "on the side". a year, according to Mr Gar-

By Kasra Naji in Dhaka

trade order.

tended to be restricted to nett, compared with about retail sales of \$40bn.

Record executives discussed the piracy issue in Rome this spring, when they decided to finance creation of the IFPI's proposed anti-

Mr Garnett said the network should enable the industry to be more rigorous in detecting piracy, and more aggressive at lobbying for copyright protection. One priority will be to check whether apparently legitimate production plants are selling unauthorised record-

Hotels set for shake-up

By Scheherazade Daneshkhu, Leisure Industries Correspondent

The European hotel industry will be shaken up by mergers, acquisitions and joint ventures in the next few years as large international hotel chains vie to increase their presence, according to a report* published yester-

Occupancy levels at European hotels rose by 2 per cent last year to 72.2 per cent, according to Arthur Andersen, the accountancy firm, which surveyed 1,000 hotels of three-star standard and above. Average room rates rose by 7 per cent to DM174.29 (\$102).

"As occupancy and averrecession, hotel operators will seek opportunities to extend their distribution into their source markets, to strengthen brand recognition and reduce overhead costs," said Mr Alex Kyriakidis, partner in charge, worldwide hospitality and leisure. Large international hotel

chains, such as Marriott, Hilton Hotels Corporation and Inter-Continental, will target regional and large national players while continuing to acquire small European groups.

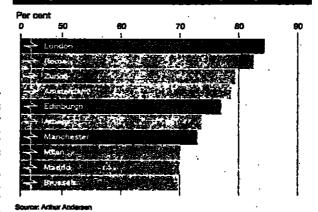
in the mid-market sector as smaller groups merge or collaborate in joint ventures, in order to expand nationally and reduce overheads, says Arthur Andersen.

Europe received half the world's international tourism expenditure last year but the health of its hotel industry varied widely between countries.

London, buoyed by a record year for tourist arrivals, enjoyed the highest average occupancy levels of 84.3 per cent. Hotels in Rome. with marginally lower occupancy rates, were the most expensive. Average revenue per room rose by 22 per cent to DM185.13, due to a rise in tourism, a lack of new hotels age room rates recover from and a strengthening of the lira against the D-Mark.

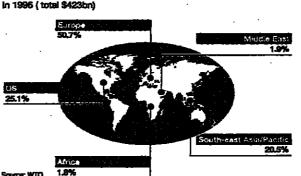
> Difficult economic conditions continued to affect botels in France and Germany. Occupancy levels in Paris were static while those in Berlin and Frankfurt fell back last year compared to 1995. However, hotel performance will improve this year in both countries, particularly Germany, due to a tentative uplift in economic performance, according to Arthur Andersen.

Higher oil prices gave a fil-



European hotels: room occupancy

Global international tourist receipts



ern economies which also sen, warning the faltering benefited from the highest rise in tourist arrivals in the

The earlier Middle East peace hopes led to a flurry of hotel development, particularly in Jordan where average room rates rose by 11.5 per cent last year compared lip last year to Middle East- to 1995. But Arthur Ander-

peace process could hit hotel-building, believes the large increase in hotel development in Jordan could damage the industry's performance medium term. *The Hotel Industry Bench-

mark Survey 1997, Arthur

London WC2R 2PS, £750.

Andersen, 1 Surrey Street,

to LDCs.

offered by the WTO. "Our mission is a response to the cry for help from

Experts from several international trade organisations are in Bangladesh to examine ways of helping the world's poorest countries integrate into the world

Trade experts

hear LDC call

Poor members of the World Trade Organisation complain they have been increasingly marginalised as the volume of world trade has increased in favour of developed countries.

Least Developed Countries (LDCs) often do not know their obligations and rights under the world trading system, said Mr Alamgir Farouk Chowdhury, Bangladesh's commerce secretary. "In conferences we cannot play a meaningful role and as a result our comparative advantages are undermined and growth in trade is heavily weighed towards developed countries." he said, pointing out that last year only 1 per cent of foreign direct investment went

The experts are following up the recommendations of the final communique of the WTO summit last December in Singapore which called for steps to help 48 LDCs improve their capacity to respond to the opportunities

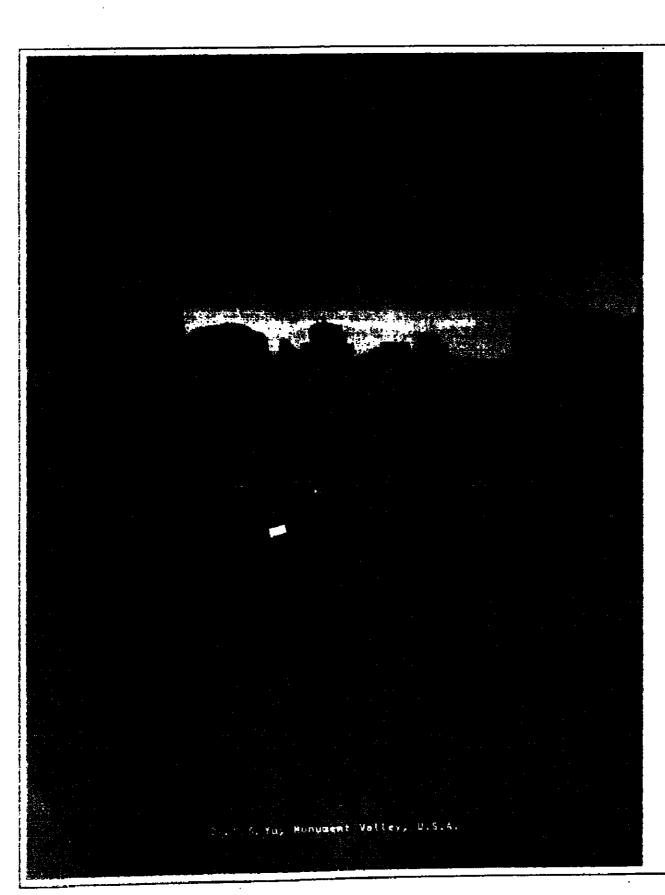
LDCs who want to know how they can react to the fast changing world trade climate," said Mr Khalil Rabman, senior economist from the United Nations Conference on Trade and Development, which is leading the first joint delegation of economists and development specialists from the WTO, Unctad, the Division of Tech-

nical Co-operation Co-ordination (ITC), the United Nations Development Programme and the Economic and Social Commission for Asia and the Pacific (Escap). The result of the study is

expected to form a loose model which could be adjusted for other countries with differing problems. Technical assistance to build up knowledge and trade expertise is one area where LDCs can be supported, but members of the mission said they were looking at other possibilities such as advice on how to diversify the export base of LDCs.

Garment exports of Bangladesh, for example, form 66 per cent of the country's exports, which is far too much reliance on a single export commodity," said one member of the mission.

(E) LG



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Poll opens cracks in face of Canada

Canada's wartime prime minister, Mr William Lyon remarked that "if some countries have too much history, we have too much

His observation has never seemed more apt than in the wake of Tuesday's general

Although the Liberals, led by Mr Jean Chrétien, won a second majority, the election exposed all the fissures one might expect in a country time zones, borders three oceans, and has two official languages, dozens of immigrant communities, and a relatively small population ranging from sophisticated city-dwellers to impoverished fishermen

Gone, at least for the next five years, are the days when three parties - the Liberals in the centre, the Progressive Conservatives on the right and the New Democrats on the left - could claim to represent the entire

country.
Two-thirds of Liberal MPs in the new parliament come clue during the election camfrom Ontario, the richest paign what they have in and most central province. What's more, all but two of Ontario's 103 MPs are Liberals. Almost all the Liberals elected outside Ontario are from a handful of cities, notably Montreal, Winnipeg and Vancouver.

The four economically disadvantaged Atlantic provby Liberals, voted solidly for into surplus. The Reform

Liberal spending cuts.
The secessionist Bloc Qué-

bécois captured more than half the seats in Frenchspeaking Quebec, defying earlier predictions that it would fall victim to a disastrous campaign and the provincial government's fiscal

In the west, the 10-year-old populist Reform party made a virtual clean sweep of Alberta and won 23 of British Columbia's 34 seats. It also had the satisfaction of displacing the Bloc as the official opposition, but failed in its main objective of becoming a national force by making inroads into Ontario. Mr Chrétien, who may

struggle to keep his job after a lacklustre campaign. vowed to govern for the "whole country". Political observers, however, were divided on his chances of success. The Liberals, with only a bare majority, will face four sizeable opposition parties in the House of Com-

The Liberals gave little store for their second term, although they promised to sustain the fiscal discipline that was the main achievement of their first four years in office

Among the divisive issues expected to dominate the new parliament is how to spend Ottawa's "fiscal diviinces, previously dominated dend" as the budget moves the Conservatives and New party and the Conservatives

Another looming issue is Quebec's future role in Can-Lucien Bouchard, the province's premier, aim to hold another independence referendum within the next two to three years.

Mr Chrétien has so far adopted a low-key, two-pronged approach. He has made some concessions to Quebec, for instance, by devolving federal jurisdiction over labour training to the provinces. This has been accompanied by initiatives known collectively as Plan B aimed at demonstrating to Québécois the costs and dangers of a break-up.

The Reform party has pressed for a more hardline approach. It insists Quebec should be treated the same as the other nine provinces. and wants the government to draw up an unambiguous set of demands should the Québécois vote for independence next time round.

Reform's more extreme position could polarise the national unity debate. It has succeeded in tapping latent anti-Quebec feeling in many parts of the west, where resentment simmers over Ottawa's perceived favouritism towards the Frenchspeaking province.

One Conservative strategist described Reform's message as "dangerous but accu-

Some Liberals, however, think Reform's hard line could provide an opening for

NORTHWEST SASKATCHEWAN New parliament: 301 seats Progressive Conservative 20 New Democratic 21 Blac Quebecois 44 Reform 60 ats by region

hope that the "Gang of their party to present itself as the voice of moderation Four" on the opposition challenge extends beyond best able to hold the country

and Ms Alexa McDonough of the New Democrats both indicated on election night that they would take a nonpartisan approach to national unity. threater Similarly, the Liberals groups.

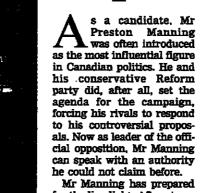
benches may turn out to be less of a threat than seems Mr Jean Charest, the Con- at present. As one Liberal servatives' popular leader, strategist said yesterday: to find fresh ways of making "Four noises equals zero."

One strategy for the Liberals may be to extend an olive branch to the New Democrats, who are the least threatening of the opposition

Parliament Hill in Ottawa. Mr Chrétien and others in the federalist camp will need Canada relevant to disgruntled westerners and frusfuture is not to be shaped entirely by its geography.

Bernard Simon

Populist ready for limelight



Mr Manning has prepared for the limelight. After struggling awkwardly through the 1993 campaign, he returned to the hustings this vear with a new image carefully crafted by his wife and handlers. He underwent laser eye surgery to do away with glasses, wore more casual clothing, and dyed his hair, styling it younger.

Alberta premier for 25 years. West Wants In". Mr Manning's father was per and one of Canada's earliest religious radio

broadcasters. Mr Manning has adopted his father's politics and populist style. And in an era of party regionalisation in Canada, he was the obvious choice for most western voters. Born in 1942 on a dairy farm east of Edmonton, Mr Manning graduated with an economics degree from the University of Alberta. After operating an Edmonton-

political grooming, however, founded the populist Reform began long before. He party 10 years ago in a Vanlearned western conserva- couver hotel room. In 1993 tism from his father. Mr he launched the party to Ernest Manning, a populist national prominence with party did, after all, set the politician who served as the campaign theme "The

While his performance was also an evangelical Christian considered shaky in 1993. Mr lumped together Quebec pol-Manning has the public eye and has implied they were not fit to learned to use the media to his advantage. In true populist fashion, Mr Manning's campaign stops often took on the air of town hall meetings, where he portrayed himself as a political outsider in spite of holding a parliamentary seat. He repeatedly drove home his message only Reform could shrink government and taxes, as well as resolve the

The opposition leader's ment consultancy, he a "tough-love" approach. carefully chosen for national television audiences. Snappy sound bites, shrewdly worded to be controversial. were gobbled up by the national media. Television ads were inflammatory: one govern, but in typical

> Reform style the advertisement did not say as much. Critics have charged that Mr Manning has established himself by promoting an extremist political agenda. Yet it is a tactic which has worked well for the party and Mr Manning appears to relish his ability to reshape public opinion.

> > Scott Morrison

Preston Manning and his wife Sandra

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Brazil state in Sports spree debt default

The state of Alagoas in the north-east of Brazil has defaulted on R\$109.2m (\$102m) of debt, the latest sign of the budgetary crisis that has engulfed most of the country's state govern-

Alagoas' failure to repay maturing bonds was also the first direct impact on financial markets of the long-running congressional inquiry into allegedly fraudulent bond issues by state and municipal governments.

The federal government is refusing to bail out Alagoas. The Senate, which must approve all state bond issues, has so far declined to roll over the bonds. The city of Osasco in the state of São Paulo also defaulted on bonds worth R\$29.1m.

"The states which are in the same situation as Alagoas, and fortunately there are few, cannot count on taxpayers' money being set aside to cover these bonds," said Mr Sérgio Amaral, the president's spokesman. The news had little impact on Brazilian financial markets, in part because of the small amounts of bonds involved.

Brazil's states has been caused by excessive borrow ing and by the reduction in inflation, which has exposed many hidden liabilities. The state of São Paulo, the richest in the country, was forced to sign a refinancing agreement with the federal government last month for

R\$50.4bn of debt. Political analysts said the absence of a bail-out for Alagoas would force other states to agree refinancing deals with the federal government, which would include commitments to sell assets and cut spending. Eight of the 27 states, including Alagoas,

have yet to sign agreements. The default is also expected to limit severely the market for new state government bond issues which is already the subject of a consional investigation.

Under Brazil's 1988 constitution, states and municipalitles are only allowed to issue bonds to cover debts they are legally obliged to repay. Senators leading the congressional inquiry claim several state governments have used the proceeds from bond issues for other pur-

benefits mixed

A multi-billion dollar spending spree on fresh venues for top league sports teams has had a mixed impact on the finances of cities across the US, according to Standard & Poor's, the credit rating agency.

The past decade has seen a rush by America's baseball, basketball, hockey and football owners to build new stadia and arena for their teams often with financial backing of the cities and counties where they are based.

Some 85 per cent of the 105 sports franchises that enjoy big league status have either moved into new venues, or are preparing to do so, according to S&P. The wholesale modernisation has been prompted by the flood of television money into sports, and the demand from companies for better facilities in which to entertain. Among the problems iden-

tified by the credit rating agency has been the tendency of some cities to provide direct public finance for facilities without then being able to generate the reve-

themselves to risk by agreeing to back new venues without first getting the sup-

port of local taxpayers. The cities that have done best out of the construction boom have used so-called tourist taxes, such as car rental and hotel taxes, to raise money from people visiting their venues. They have also been the ones which have invested in baseball, rather than other sports: the busy baseball season, with each team playing at least 81 games at home,

> year, as much as the other three sports combined. The economic impact of such schemes, and the fear of losing long-established sports teams to rival cities eager to win major league franchises themselves, has made this one of the biggest local political issues of the decade in cities like Cleve-

means the average baseball

stadium attracts 2.1m fans a

land, Baltimore and Detroit. According to S&P, the financial impact on cities has ranged "from modest, yet positive, to negative" and has had a direct affect on the standing of some US nues to service the debt. cities in financial markets.

AMERICAN NEWS DIGEST

US growth may slow

The US economy's impressive growth in the past six months may slow later this year, a report published by the Conference Board, an influential private-sector research group, said yesterday. The index of leading indicators, a basket of statistics that predicts economic activity about six months ahead, fell in April for the first time in 15 months.

The index fell by 0.1 per cent in April, following increases of 0.2 per cent in March and 0.5 per cent in February, the board added. The main contributors to the decline were higher weekly jobless claims, a decline in stock prices and a drop in consumer confidence. But April was widely recognised as a weaker month for overall economic activity and the leading indicators reflected that. It is far from clear whether that weakness will

continue for the rest of the year. While the data for May have not yet been compiled, some of them suggest a rebound last month. Consumer confidence was higher than for more than 20 years, stock prices reached new record levels, and the nation's purchasing managers reported a jump in manufacturing activity. In the next two weeks, a spute of other indicators of activity in May will demonstrate whether the April slowdown was the start of a broadly based deceleration in Gerard Baker, Washinata growth or merely a pause.

Anti-trust blocking move

Senator Ernest Hollings, a leading Democrat, is blocking confirmation of Mr Joel Klein, the US Justice Department's top anti-trust official, because of concerns he would be too soft on big telecoms mergers, the senator said yesterday. Mr Klein, as acting attorney general for anti-trust questions at the Justice Department, prompted complaints when he authorised the \$23bn merger of Bell Atlantic and Nynex in April.

The decision was interpreted by some as a sign he would be less strict than Ms Anne Bingaman, his predecessor in the job. Mr Hollings was said by aides to be preventing the nomination coming to a vote on the senate floor, at least until he could meet Mr Klein and learn more about his views. If confirmed, one of the first issues with which Mr Klein will have to deal is the proposal for a merger worth more than \$50bn between AT&T, one of the giants of the telecoms sector, with the regional phone

company SBC Communications. Mr Reed Hundt, the outgoing chairman of the Federal Communications Commission, which must also consider the merger, said that these discussions raised the question of whether it might constitute "one merger too far". Bruce Clark. Washington

Brazil trade deficit falls

Brazil's trade deficit fell sharply to \$271m in May compared with a \$951m deficit in April, with economists attributing the drop to seasonal factors. The May figure was the best result since the same month last year. Strong exports of agricultural products, such as soya, and lower than expected oil imports were responsible for the fall. The growth in Brazil's trade deficit, fuelled by a sharp acceleration of imports, has become an increasing source of concern for economists, who fear it is putting a restraint on short-term growth and could lead to macroeconomic instability.

The May result brings total deficit for the year so far to \$4.26bn, against a \$5.5bn deficit for the whole of last year. The trade deficit is thought likely to reach \$11bn-\$13bn this year. Various measures have been taken to cut the deficit, including restrictions on consumer credit for ertain goods, increased credit for exports and restrict of import financing. However, economists expect more measures, to be directed at reducing imports of consumer

Mexico 'free medicines' suit

Mexico's main leftist opposition party yesterday filed suit against the roling Institutional Revolutionary party (PRI) on charges of using public funds to win votes. The Party of the Democratic Revolution (PRD) alleges the PRI handed out free parcels of publicly funded medicine as if they were donations from President Ernesto Zedillo's

The charges have been filed at the attorney-general's office against the PRI gubernatorial candidate and a handful of other PRI officials in the eastern state of Campeche, one of six states with elections scheduled to take place in July. Mexico City residents will vote for their first mayor; most of the national Congress is also being contested.

The PRD said Mexico's health laws prohibited anyone tampering with public medicines and said people faced up to nine years' jail if found guilty. The PRI denies misusing state resources for electoral purposes. Reuter, Mexico City

Death penalty evidence today

The jury in the Oklahoma City bombing trial will hear evidence today on whether Mr Timothy McVeigh should face the death penalty. Mr McVeigh was found guilty on Monday of the bombing, the worst act of terrorism on American soil. Prosecutors are expected to call victims' relatives and survivors of the blast; the defence will present evidence from Mr McVeigh's relatives to a federal jury sitting in Denver.

Victor

Mr McVeigh was convicted under federal law of the killing of eight federal law enforcement agents. Federal law makes such murders a capital offence, but the federal government has not executed a prisoner in more than 30 years. Officials in Oklahoma, where the death penalty is more common, have said they will bring Mr McVeigh to trial on state charges for the 160 other victims not covered by federal law. They will push for the death penalty, in an attempt to override a federal penalty they fear will be too weak or may be overturned on appeal. Many of those who lost family members in the bombing are calling for Mr McVeigh to be executed. Patti Waldmeir, Washington

New York art world inquiry

The Justice Department has subpoensed financial documents from several prominent auction houses and, it is reported, several New York art dealers. Dealers told the New York Times yesterday that they believed the government was investigating the possibility of collusion

and price-fixing among art dealers buying at auction.

The possibility of "bid-rigging" or "bid-pooling" by dealers who agree not to engage in bidding wars has loss been rumoured in the art world. The practice keeps works from being auctioned for their true value and allows dealers to resell the work at an exaggerated profit. One of the auction houses said it understood "other U.S. auctioneers and several prominent New York art dealers have been required to provide documents". AP. New York

The bottom line

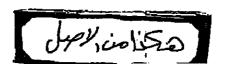
Our decision to more our European Reservations Centre to treland has been entirely justified.

We that a very short time frame is which to have everything in place for the start of the operation and one large focus granty-localizes to be friendly, efficient, and as determined as we are to make this a success story.

Hans Mirka, Senior Vice President International, American Airlines



is Ireland





security intentions.

ASIA-PACIFIC NEWS DIGEST

LDP defence

team to Beijing

Japan's ruling Liberal Democratic party is to send a

the Chinese government over Japan's defence and

delegation to Beijing at the end of the week to reassure

A group of LDP MPs responsible for foreign policy,

security and defence, will spend from Friday to Sunday in

Beijing, meeting Mr Qian Qichen, foreign minister and Mr

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Tokyo plans spending cuts

yesterday adopted proposals next April. for severe spending cuts in a The biggest cuts will be cent in the three years also be held back. The panel move designed to reverse the made to defence spending. beginning next April. country's deficit-ridden state which will be held to zero or finances.

Ryutaro Hashimoto, who led The curtailment requires a special government cross- about Y920bn to be cut from party panel briefed to iden- the Y25,150bn, five-year curtail the rampant spendtify the cuts, said the propos- defence programme, which ing so conspicuous in previals were "a definitive collec- began last April. tion of fiscal reconstruction measures" that would set a "strong and clear-cut direc- Tokyo's deliberations over a tion" for the cabinet to carry US request that Japan join through reforms in key

Under the plan, general system. expenditures will be cut by

Sydney

bed tax

By Nikki Tait in Sydney

Japanese-owned hotels in

Australia, which have been

opposing plans by the New

South Wales state govern-

ment to impose a 10 per cent

"bed tax" in the run-up to

the Sydney Olympics, were

yesterday offered a reprieve.

owned hotels in Sydney

wrote to the state govern-

ment protesting at the tax

breach of our confidence".

that leading tour operators

a significant number of tour-

Sydney's city centre and on

The government argues

that these properties stand

to benefit substantially from

pre-Olympics business and

should be prepared to shoul-

der some of the costs. The

Sydney in the year 2000.

Vastarias Mr Mich

said the government would

Mr Egan said that the con-

government's revenue from

the tax to around A\$36m in

But the Australian Hotels

Association (AHA), which represents the industry, said

last night its members would

reject Mr Egan's offer. "Our position is no compromise -

we want the bed tax abol-

The AHA added that the

proposal had been put forward by Mr Egan in a meeting with its representatives

yesterday afternoon, but it was made clear that a compromise was not acceptable. The AHA now plans to

release the findings of a

review by accountants Ernst

& Young of the impact of the

tax on tourism and the local

Some hotel-owners say

they are aggrieved because

they had co-operated over provision of hotel space dur-

ing the Olympics. The city's limited resources are likely

to be stretched, and there

are plans to house visitors

on cruise ships in Sydney

THE REAL PROPERTY.

the next financial year.

the North Shore.

tour aroups.

ished," it said.

ahead.

They told the government

and accused it of a "total

Last month Japanese-

scaled

back

By Gwen Robinson in Tokyo 0.5 per cent, or about Y200bn also be hit under the panel's higher medical costs and

The prime minister, Mr three years from next April.

If carried through, it would add further doubt to social security, meanwhile, development of a costly space-based missile defence

Public works spending will down is likely to lead to

By Mark Nicholson in New Delhi

India should begin phased

liberalisation of controls on over-

seas capital transactions with the

goal of reaching full capital account

convertibility within three years, a

special central bank committee rec-

But the panel - empowered by Mr

. Chidambaram, finance minister,

in this year's budget to "lay out the

road map" for convertibility - said

further moves to strengthen the

financial system, big additional cuts

in the fiscal deficit and a lower

ommended yesterday.

(\$1.7bn), in the state budget proposal to slash outlays by possible cuts in other social The Japanese government for the fiscal year beginning 7 per cent next fiscal year for an overall cut of 15 per

negative annual growth over affect leading general contractors, who have been suffering from falling orders, ous administrations.

Increased spending on 2002. will be held to only Y300bn. instead of the expected Y800bn increase that was to come largely from medical system reform. The slow- farm lobby.

convertibility, as the Reserve Bank

of India panel recommends, repre-sents one of the most significant

remaining steps in India's six-year-

old reforms and is central to the

country's full global economic inte-

gration. The International Monetary

Fund has strongly urged India to

The Indian rupee was made freely

tradable for physical trade transac-

tions in 1994. But foreign invest-

ment transactions, both into and

out of India, have been banned or

tightly controlled for all but foreign

direct and portfolio investors and

"non-resident" Indians, Indian com-

begin such steps.

welfare spending areas. Agricultural outlays will

proposes extending by two The move will further years a six-year plan to spend Y6,100bn on helping Japanese farmers cope with liberalisation of farm prodbut will help Mr Hashimoto uct imports. The plan was to have been completed in the year beginning April 2000. but will now continue until

> particularly sensitive issue for the government, which derives much of its political support from the influential

Agricultural spending is a

begin moves towards removing con-

It said India would benefit from

capital convertibility through better

access to capital at international

rates, better diversification of risk,

a spur to development of financial

markets and a "disciplining influ-

But it set a series of tough eco-

nomic "signposts" India must meet

along the way. The committee said

India should cut its fiscal deficit

ence" on macro-economic policies.

trols on capital transactions.

NEWS: ASIA-PACIFIC

Proposals to make deeper Y100bn in the next fiscal from next April.

Indian convertibility timetable urged

Japan cuts back: the key measures

Q., Stash fiscal 1996-2000 defence build-up programme worth V25,150bn by V920bn

Q. Cut official development assistance for facel 1998 by 10 A Recisor public works spending by 15 per cont in Social 1998.
2000 and set a 7 per ball armists decrease in floor 98 separating for public works. per cent from previous year

But the central bank panel said apore, the central bank governor,

"the time is now appropriate" to said inflation should be kept within

Q. Cush 18800hm of Increases in social security costs for fiscal 1998 to ¥300bn

cuts were fiercely opposed year, at a time when the govby key figures in Mr Hashimoto's ruling Liberal Democratic party as well as its tional profile.

a range of 8-5 per cent during the

transition period and this rate should be "mandated" by parlia-

ment. This, it argued, would require

giving the central bank greater

autonomy to police the lower rate.

It also said strengthening India's

public sector dominated financial

system was the "single most impor-

tant precondition" to any move

The panel advocated full deregu-

lation of interest rates, a lowering

towards convertibility.

Hopes flickered last week of political freedoms, and

Inflation now stands at 6 per cent.

two parliamentary allies, the The panel, comprising cab-Socialists and the indepen- inet ministers, as well as dent New Party Sakigake. Least sensitive domesti- ers, also recommended holdcally, but a big blow to ing spending on programmes Japan's internationalists, are targeted cuts in the country's overseas aid budget by lower in the three years

ernment is seeking to broaden Japan's interna-

Extend face! 1995-2000 peccage of measures supporting farmers bit by Uniques Round far two / years effectively (Soting Impact) and reduce public works budges

in the package by 4500bm

ه کنامن, لاصل

Chi Haotian, defence minister. They plan to brief the Chinese authorities on a potentially controversial academics and other advis-Japanese government review of its 1978 guidelines on defence co-operation with the US. The review, for completion this autumn, may expand assistance offered to help small businesses to by the Japanese military to US forces in the case of a the previous year's levels or conflict in east Asia. Details are still under discussion, but it might, for example, make it possible for the first time for the US air force to use Japanese civilian airfields.

Another issue of concern to China is potential Japanese participation in a sophisticated missile defence system being developed by the US. The Japanese delegates will be keen to impress on their hosts that both the review and possible participation in the missile defence system are for purely defensive purposes and not intended to isolate William Dawkins, Tokyo

Indonesian trade surplus down

Current account deficit (\$bin)

March, the smallest in nine months. Figures released yesterday showed the trade surplus shrank to \$243m in March, down from \$391.7m a year earlier and sharply lower than the \$964.3m surplus in February this year. A smaller trade surplus had been expected as economists had predicted a rebound in import growth, which slowed to 5 per cent last year from nearly 30 per cent a year before. Total exports rose year-on-year by 2.8 per cent to \$4.06bn in March but were outpaced by

Indonesia has announced a

narrowing trade surplus for

imports, which grew by 7.3 per cent to \$3.82bn. The slowdown was brought about largely by lower world oil prices; oil and gas exports fell to \$960m from \$977m a year earlier and just over \$1bn in February. Economists said the government is still expected to

keep its current account deficit at between 4 per cent and 4.5 per cent of gross domestic product this year. It has predicted a current account deficit of 4.2 per cent of GDP for fiscal 1997-98. Mamuela Saragosa, Jakarta

Mixed HK land auction

Hong Kong's last government land auction before the return to Chinese sovereignty provided mixed signals but left real estate analysts confident about prospects for the property market. The first site to be sold, a residential plot on Hong Kong island, saw slow bidding before being sold to Paliburg Holdings for HK\$5.5bn (US\$710m). This fell short of predictions of HK\$6bn Demand was more buoyant for a residential site on the

Kowloon peninsula. Cheung Kong Holdings, the flagship company of Mr Li Ka-shing, the territory's most prominent tycoon, paid HK\$6.06bn, far higher than expectations of between HK\$4.5bn to HK\$5.5bn. Sector site partly reflected its location in Stanley, on the south side of the island. John Ridding, Hong Kong

ADB in \$1bn bond offering

The Asian Development Bank yesterday returned to the global capital markets for the first time since 1995 with a \$1bn bond offering. ADB officials said an unexpected loan repayment by Indonesia last year allowed the bank to forgo its annual global dollar bond issue in 1996.

In 1997, however, the bank planned to raise \$2.6bn with the possibility of a debut offering in D-Marks later this year to help bridge the remaining \$1.6bn gap. Mr Peter Balon, ADB deputy treasury, said the bank was also considering debut issues in the Philippines, Thailand and Indonesia to help kick-start their domestic capital markets. The ADB has already issued Taiwan dollar and Korean won bonds. Edward Luce, London

from a budgeted 4.5 per cent of gross domestic product this year to inflation rate were "crucial" to of banks' cash ratio held at the cenmeeting the target. panies, notably, face tight limits 4 per cent in 1998-99 and 3.5 per tral bank and "drastic measures" to A firm commitment and a set and a tough approvals procedure for cent the following year. reduce the high levels of non-perschedule towards capital account foreign borrowings or investments. The panel, chaired by Mr S.S. Tar- forming loans of state-run banks.

Tiananmen wound refuses to heal

in Japan were warning that he anniversary today ists could decide against visof the Chinese crackiting Sydney or shorten their down in 1989 on stustay there if the tax went dent demonstrators in Beijing's central Tiananmen The tax came as part of Square seems certain to pass the state budget and allowed without official comment. the government to forecast a but the event casts a shadow small surplus for 1997-98. It over preparation for China's would have imposed a 10 per resumption of sovereignty cent levy on hotel beds in

over Hong Kong on July 1. The stain left by the events of eight years ago is also discomforting for China's leaders as they seek to consolidate their authority after the death in February of Deng Xiaoping, the country's patriarchal leader.

Games are due to be held in "There are many people now who don't agree, with the student-led movement. Egan, the state treasurer. They say the movement was wrong ~ it affected social exempt existing forward stability - but people were bookings from bearing the killed and that was a tragtax, which is due to come edy." says Mr Wang Shan, a into force in September. neo-conservative author These are estimated at with close Communist party A\$99m (US\$75m), saving ties. But the regime is conhoteliers or their customers strained in dealing with the about A\$10m. About 46 per legacy of Tiananmen because of the presence in cent of existing forward bookings are from Japanese the leadership of Mr Li Peng, the prime minister, who gave orders for the crackcession would cut the state down on the authority of Mr

> Deng himself. "It seems impossible there will be a vindication of the not refute what his predecesmovement in the next two sor [Deng] has done."



mass rally today commemorating Tiananmen massacre

years," says Professor Xu Academy of Social Sciences. "The central government just dare not touch the issue. President Jiang Zemin can-

Nevertheless, pressures Liangying of the Chinese continue to build behind the scenes for a reversal of the verdict on Tiananmen which was judged a counter-revolutionary crime for which many of those involved received long jail sentences.

Province, four workers concounter-revolutionary clique had their sentences quashed. However, a lesser conviction be read into the verdict. For Hong Kong, contemplating the imminent end of interview.

British rule and closer proxpeople believed Beijing had erred in suppressing the 1989 movement, and 75 per cent said Hong Kong people should push for democracy on the mainland.

Hong Kong will be the scene this week of demonstrations marking the massacre. These are an annual event drawing thousands to a candle-lit vigil. Many will no doubt wonder whether the new administration will permit such protests.

Chinese leaders, meanwhile, seek occasionally to address concerns about lack

that the leadership might be implicit is the promise of edging towards a review political reform, although no when, in northern Jilin timetable is laid down. "According to the constitu-

victed in 1989 of organising a tion, power in the country belongs to the people, and the people exercise state power through the National of counter-revolutionary People's Congress (parliaincitement was upheld, sug-. ment) and local congresses gesting too much should not at various levels," said Mr Qiao Shi, chairman of the NPC, in a recent newspaper

"To ensure the people are imity to mainland control the real masters of the coununder the "one country, two try, that state power is really systems" formula, the legacy in their hands, we must of Tiananmen lingers. An strengthen these institutions opinion poll by Hong Kong and give them full play. At University published this the same time, it is neces week indicated 63 per cent of sary to improve grassroots self-government so people can manage their affairs."

In spite of Mr Qiao's remarks, however, Beijing will continue to be prickly about criticism of lack of political freedoms, especially around the June 4 anniversary. The official China Daily yesterday warned the west, in a long article repudiating criticism of China's human rights record, not to focus on "single events or persons", a reference to the Tiananmen anniversary.

Tony Walker

Hong Kong clout adds to Hanoi's worries

Vietnam concerned at China's economic grip

Vietnam is worried Beijing may use Hong Kong's considerable economic clout as leverage against Hanoi should relations between the two communist neighbours again turn sour. Concern is centred on the hundreds of Hong Kong companies that spearheaded a drive by foreign investors into Vietnam in the early 1990s and have established a firm foothold. Some in the Vietnamese

leadership are apparently

One.

PEREGREVE

Paragrine, the world's number one bookunner

of Asian equity issues in 1996 and 1997 *

nies have connections with mainland Chinese business interests. Strong trade ties \$77m. Vietnam is wary of hetween Vietnam and Hong Kong are also a worry.

"It's a concern that Hong Kong is in the hands of Beijing. China has additional influence to introduce pressure on us," said one influential party member. Relations between the two

have ranged from mutual suspicion to outright hostility, most recently in 1979 when they fought a brief border war. Centuries-old rivalries surfaced again in March when the presence of a Chinese oil rig in disputed waters erupted into a tense diplomatic stand-off. Diplomats say that event

has prompted close scrutiny of the implications for Vietnam of the Hong Kong hand-Communist party sources

said the party general secretary, Mr Do Muoi, plans a trip to Beijing as soon as possible for a first-hand view of China's stance towards Vietnam since the death of Deng Xiaoping, the paramount leader. Vietnam worries over the

buge amount of Chinese goods smuggled across the two countries' porous bor-Bilateral trade is estimated at about \$500m a year with cheap Chinese products

undercutting their Vietnam-

ese competitors, threatening

Vietnam's fragile manufac-

ethnic Chinese capital inflows and has encouraged investment from Taiwan and Singapore as a way of achieving balance. Hong Kong is the second biggest foreign investor in Vietnam, with projects under way for New World

among foreign investors,

with 43 projects valued at

Group, Luks Industry, rice producer Golden Resources, Bank of East Asia and a hotel investment held indirectly by Mr Li Ka-shing, the Hong Kong billionaire with strong contacts in Beijing. However, some play down Vietnamese fears of main-

land Chinese influence through such companies: "I think a lot of people are concerned about that. But perhaps some of those fears are exaggerated," said Mr lan Lewis, a partner in Ho Chi Minh City with Johnson Stokes & Master, a Hong

Kong-based law firm. Nevertheless, there are recent signs that China has been courting Hong Kong Beijing's embassy in Hanoi

has approached Hong Kong businessmen with a proposal to set up a Hong Kong chamber of commerce under its auspices. And earlier this week China's consul general in Ho Chi Minh City made an unprecedented appearance as guest of honour at a business luncheon for Hong Kong businessmen in the minority party besides the city's New World Hotel

Indonesian party MPs may quit

Officials from one of Indonesia's minority parties yesterday said its members of parliament may withdraw from the assembly after their party's disastrous showing in last week's gen eral election.

Preliminary results show the Christian-based Indonesian Democratic party (PDI) secured only just over 3 per cent of the nationwide vote Its total number of seats fell from 56 to 10, below minimum levels for representation on key parliamentary

The PDI's popularity collapsed after the authorities engineered the removal of its popular leader, Ms Megawati Sukarnoputri, and replaced her with a government-backed candidate last year. In the aftermath, Ms Megawati told her supporters not to vote for the

Political observers warned that a withdrawal of the PDI from parliament would disenfranchise Indonesia's non-Moslem opposition which includes voters on the island of Bali, parts of eastern Indonesia, regions of Sumatra and Kalimantan.

That would be a blow to the credibility of a broadly three-party political system, created by Mr Suharto in the 1970s. The Moslemoriented United Development party is the other

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Proposal will test willingness of Blair to oppose further EU social regulation

Brussels push for works councils

By Robert Taylor, Employment Editor

propose today that all companies in the European Union should be required to set up information and consultation committees for their

The proposal, contained in a consultation document issued by Mr Padraig Flynn, the EU's social affairs commissioner, could be introduced by a qualified majority vote through the EU's social chapter if trade unions and employers failed to reach agreement on it.

The proposal should provide an indication of the willingness of Mr Tony Blair, the UK prime minister, to oppose further EU social regulation, which is rejected by British employers as a burden on their businesses. Mr Blair has promised to sign the social chapter but has said he will reject any new EU laws that might impede competitiveness.

Mr Blair told European heads of government less than two weeks ago that he wanted to "campaign to

The government yesterday signed the Council of Europe's charter of The European Commission will local self-government, which the previous Conservative administration refused to adopt, Alan Pike writes. Ms Hilary Armstrong, the local government minister, surprised a Local Government Associa-tion conference in London by announcing that the charter was being signed in Strasbourg to "demonstrate central government's recognition of the value of local

> extend flexible labour markets to the and productivity. He will say workrest of Europe".

Mr Flynn wants a response to his consultation document within six weeks. If the trade unions and employers cannot reach agreement, he will present a legislative measure to the EU heads of government for their support.

create works councils or similar consultative bodies for their employees to improve their competitiveness

The charter, which 23 Council of Europe member states have ratified, sets standards for protecting munic-

ipal authorities' rights. These include declarations that they should manage a substantial share of public affairs, and have adequate financial resources of their own. Ms Armstrong said the government's decision to sign the charter was a "pledge of our commitment to forge a new and constructive partnership with local government at

ers have a "fundamental social right to be informed and consulted in advance on any decisions by their employer likely to affect them".

The European trade unions will welcome his proposal, which they see as an important job protection easure after the closure of Ren-Mr Flynn will argue today that ault's plant at Vilvoorde, in Belgium, companies in member states should this year. This led to widespread worker protests.

The proposals in the document will cause little difficulty or alarm in

Backdrop to the talks

committees or works councils already exist under national law. But for the UK it would represent a significant shift to legal regulation in an area formerly ruled by voluntary agreements.

The UK Trades Union Congres said last night: "We welcome the sensible and modest proposals to improve the flow of information in companies.

"These basic minimum standards are already practised by successful companies everywhere. Information and consultation committees are the foundations for flexibility with fairness which is the key to company

But Mr John Cridland, human resource director at the the Confederation of British Industry, the biggest UK employers' lobby, questioned whether the European Commission had the legal powers to introduce such a measure, which should be left for each member state to decide. He also said there is "not widespread enthusiasm" for further social legislation in the EU.

Digital TV bids cause concern

By Neil Buckley in Brussels and Raymond Snoddy

Mr Karel Van Miert, the European competition commissioner, said yesterday he had concerns about the British Digital Broadcasting bid for digital terrestrial licences in the UK.

Mr Van Miert said he had been asked for his views on the issue by the UK Indepen-dent Television Commission, which will decide later this month whether BDB, or its rival Digital Television Net-

work, wins the licences. "There is a problem so far as the pay-TV business is concerned because there could be an enhancement of an already dominant posi-tion," Mr Van Miert said.

BDB brings together British Sky Broadcasting, the satellite television venture, Carlton Communications and Granada. DTN is controlled by NTL, the cable and broadcasting services

Speaking during and after a conference in Brussels about "convergent technologies", Mr Van Miert suggested there might be a problem with the same operators dominating conventional broadcasting, satellite broadcasting and the emerging digital sector.

There is a problem ecause Carlton is applying for one of these licences,

Mr Van Miert said. The commissioner added: "Our opinion has been asked about it and we have voiced our concerns. The ITC is involved but no decision has been taken.'

Mr Van Miert also said yesterday that the decision on digital terrestrial in the UK had been delayed because of competition con-

cerns". The ITC confirmed yesterday that it routinely contacts other regulatory bodies as part of its decision-making process, including competition authorities such as the Office of Fair Trading and

Brussels. Under broadcasting legisensure "fair and effective competition" in the provision of broadcasting ser-

Competitive issues have been simmering away since applications were made for commercial digital terrestrial licences, which should enable between 30 and 50 new services to be received in the UK. The main advantage of digital terrestrial is that the extra channels can be received on ordinary aerials and without the need for satellite dishes or cable

UK NEWS DIGEST

Lloyd's offers delay to Names

Lloyd's of London said yesterday it would allow Names more time to meet tough new capital requirements follow ing angry protests at its original proposals. But it has tempered concessions with demands that the Names -individuals whose assets have traditionally backed underwriting at the insurance market - provide funds at Lloyd's totalling 40 per cent of the business they back. Lloyd's proposed plans last month to strengthen the financial security underpinning insurance policies. But they were criticised by influential groups of Names, who argued that the rapid pace of reform could force many

Under a system to be introduced over several years, beginning next year, investors will have to show evidence of assets representing at least 50 per cent of the premiums they can support. Those assets will comprise funds held

in trust at Lloyd's and other personal wealth. Lloyd's has extended from two to three years the period during which the funds at Lloyd's requirements will be raised from 20-30 per cent for most Names. It will also allow Names five years to show that they have £350,000 in

personal wealth. The Association of Lloyd's Members welcomed the concessions but expressed concern at the increase to 40 per cent in funds at Lloyd's.

MERCHANT SHIPPING

Minister pledges support

Mr Gavin Strang, transport minister, yesterday promised to reverse the decline of Britain's merchant navy and to safeguard the country's maritime future. In the first indication of the Labour government's attitude to the shipping industry, Mr Strang said it would not allow unfair competition to continue to erode the fleet.

A frequent complaint of the industry in recent years has been that competitors based in other countries enjoy tax breaks and other benefits not available to the UK fleet. Mr Strang told the International Association of Ports & Harbours conference in London that the role of government should be "to create the dynamic and supportive environment in which trade can prosper". The Chamber of Shipping, representing UK shipowners, said: These represent the most important pledges by a cabinet minister on shipping for many years." Charles Batchelor

FINANCIAL PRODUCTS

Group ordered to retest salesforce

Prudential, the UK's biggest insurance and pensions group, has been ordered to re-test its entire direct salesforce after criticism from the chief city watchdog over its training and compliance procedures. Each of the 5,500 members of the salesforce - the biggest in the industry will be tested over two or three days on key aspects of their financial training. The Securities and Investments Board has ordered the move because of concerns about the depth of the salesforce's training in certain product areas. The criticism comes in a draft SIB report following a routine inspection visit to the Prudential earlier this

SIB also accuses the Prudential of wrongly advising some of its non-tax paying clients to buy one of its products when other products would have been more suitable SIB also claims the company's salesmen advised some clients to buy a second personal pension, incurring new charges, rather than topping up an existing one.

But Mr Jim Sutcliffe, chief executive of Prudential's addressed urgently. "There have been some mistakes and we are treating them very seriously," he said. Accountants KPMG have been brought in to assist the company, Christopher Brown-Humes

HOUSING MARKET

Property agents warned on deceit

Estate agents will be banned if they engage in "improper unfair, deceitful or oppressive practices", the Office of Fair Trading warned yesterday. It was responding to reports that some agents have taken advantage of the rising housing market by accepting money for not passing all bids on to sellers. Mr John Bridgeman, director-general of fair trading, said yesterday: "This amounts to making a secret profit and is particularly objectionable. I would remind them that I have powers to ban them from practising as an agent if they breach the Estate Agents Act or to remove their consumer credit licences.

A shortage of properties has caused prices to rise sharply in central London and part of south-east England. The Royal Institution of Chartered Surveyors said: "The practices identified by Mr Bridgeman are indefensible, although only a tiny minority of agents are likely to be

■ CONSTRUCTION INDUSTRY

Union warning on strike threat

A trade union leader said yesterday that the building industry might face a wave of unofficial disputes after the collapse of pay talks. They broke down after unions rejected a three-year pay offer to increase hourly craft rates from the current £4.58 (\$7.46) to £6.05 by 1999. Mr Allan Black, national officer for the GMB general union, said the industry was "sleepwalking towards industrial action". He described the pay offer as "unrealistic".

The Building Employers' Federation said the offer was generous. Mr Malcolm Fordy, chairman of the building employers' side, said: "I must make clear that no further concessions will be made."

MANCHESTER AIRPORT

'Animal' evicted from runway site

A 17-year-old protester known as "Animal" was evicted

yesterday from the site of the second runway at Manches ter airport, after a painstaking operation by bailiffs to free ber arm from an oil drum filled with concrete. The bailiffs (court enforcement officers) were clearing the last of the six camps built by protesters trying to block the building of the £172m (\$280m) runway at Manchester, the busiest British airport outside London.

N Ireland splinter gangs are outlawed

By John Murray Brown in Dublin

breakaway terrorist groups were issued yesterday by Ms Mo Mowlam, chief minister for Northern Ireland in the UK government. One organisation is the flercely antirepublican Loyalist Volunteer Force, which opposes the continuation of the 21/4 year ceasefire by the Combined Loyalist Military Command. The other is the Con- an ideal fit with our strattinuity Army Council, a splinter from the Irish Republican Army which opposes the peace strategy of

The orders were made after Ms Mowlam had spoken outside the first resumed session in Belfast of multi-narty talks about the future of Northern Ireland. She said in the talks that the dispute about "decommisweeks", before negotiation can start on substantive constitutional issues.

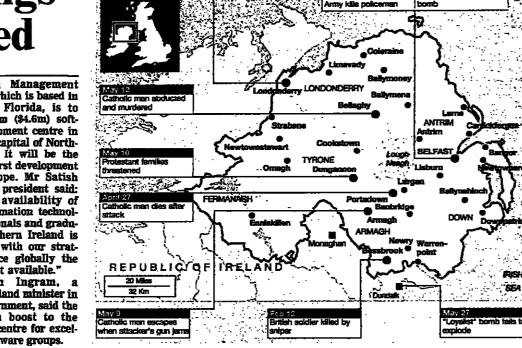
ties. But further delay could discredit the entire peace process and forfeit "the best opportunity for a generation of securing a widely-acceptable political accommodation". She also repeated that the talks would proceed reinstate a ceasefire "demon-

Information Management Resources, which is based in Orders banning two Clearwater, Florida, is to open a £2.8m (\$4.6m) software development centre in Belfast, the capital of Northern Ireland. It will be the company's first developm site in Europe. Mr Satish Sanan, IMR president said: "The ready availability of skilled information technology professionals and graduates in Northern Ireland is egy to source globally the best IT talent available.'

Mr Adam Ingram, a Northern Ireland minister in the UK government, said the news was a boost to the region as a centre for excellence for software groups.

fringe "loyalist" parties, Ms reach a peak on July 6. Mowlam said the UK governwould have no i must be settled "within tion" in ejecting them from the talks if the Combined Loyalist Military Command broke its ceasefire. The par-She said she understood ties are the Progressive the difficulties for some par- Unionist and Ulster Democratic parties, the political wings respectively of the outlawed Ulster Volunteer Force and Ulster Defence

Association. The decision to release her remarks at the plenary session of the talks - hitherto without Sinn Féin if the IRA, held in closed session -



Questioned about the con-, surrounding contentious cious criticism," she said. tinued participation of the summer parades, which

Ms Mowlam was given a cool reception to her remarks on police reform new seat and she was during a separate address to the annual conference of the Police Federation of the Royal Ulster Constabulary, the Northern Ireland police

Seeking to reassure rank and file officers, Ms Mowlam insisted she was not advocating change for the sake of

"The independent investigation of allegations against police officers is your guarits military wing, failed to underlines the government's antee that the good work concern that the stalemate vou do cannot be understrated in words and deeds". could exacerbate tensions mined by ill-founded or mali-

announcing reform of the

"If there is something fun-

damentally wrong in Northern Ireland then it should be obvious that the resolution of the problem lies in the hands of the community and not with the RUC," he said. The conference comes just two days after an off duty police officer was murdered by "loyalists", apparently for his role in the policing of a

recent Protestant march. Relatives were vesterday burying constable Greg Tay- circles in the 1970s.

But Mr Les Rodgers, chair- in Ballymoney on Saturday. man of the 11,500 member ● Ms Roisin McAliskey was federation, told Ms Mowlam yesterday granted bail by a her to be transferred to a specialist mother and baby unit. Ms McAliskey, 25, gave birth to a daughter a week ago after being held in

lor, who was kicked to death

prison in the capital. Ms McAliskey is wanted by the German authorities for opestioning over a mortar bomb attack on a British army base in Osnabruck last

Ms McAliskey is the daughter of Mrs Bernadette McAliskey who, as Bernadette Devlin, was active in Northern Ireland nationalist

Regulator slams 'huge' water dividend rises

By Leyla Boulton, **Environment Correspondent**

Mr Ian Byatt, the water industry regulator, has attacked big increases in dividend payments to share-holders by water companies as financially "unsustainable" and politically danger-

"I'm very puzzled as to why they feel it necessary to have this huge dividend growth because it is not obvious that investors in water need to get a better return [than other sectors]," he said in an interview.

Five companies last week launched the sector's results at 8 per cent. There is no season by reporting way they are going to get double-digit dividend growth in profits at that increases, which mostly outstripped tises in underlying pre-tax profits.

Anglian, for example,

cent after exceptional items. Yorkshire announced a dividend up 19.5 per cent compared with a 3.1 per cent

increase in adjusted profits. Mr Byatt's comments are an attempt to discourage expectations of continuing increases, such as those promised by United Utilities, the water and power group. Last week it repeated its intention to raise dividends in real terms by 11 per cent a year to 2000.

South West Water has promised to maintain dividend growth before inflation level," Mr Byatt said.

He warned companies they were sending the wrong signals to the public,

cent compared with a rise in ment was preparing a wind-pre-tax profits of 7.7 per fall tax on privatised utility profits. "The more you dem onstrate you've done frightfully well the more you encourage people to think that a utility tax is a good idea," he said. "The clear signal they're giving is they don't need all the money."

The next stage, he added was "to get in and have some rules" requiring companies to explain their dividend policy. Their failures to tackle leakage, for instance, had led to the setting of annual targets for leakage reduction.

Politicians might other-wise adopt a US-style model of regulation, which sets companies a fixed rate of return. This would be "a tragedy" because it would destroy incentives.

Lottery shareholders alarmed by profit plan

a non-profit making organi-

He added: "We run the

most efficient lottery in the

world. This row over salaries

is embarrassing, of course,

but if you want the best then

sation running the lottery."

By Charis Gresser and Christopher Price

of the main shareholders in Camelot, the consortium which operates the National Lottery, yesterday expressed grave concern the lottery if it became non-

profit making. One also warned that the organisation risked losing its management team if the dispute with the government over pay continued.

On Monday, Sir George Russell, Camelot's chairman, offered to embark immediately, "in partnership with the government", on talks to create a new shape for the lottery, which the government wants run on a "not-But Sir Ernest Harrison,

chairman of Racal, which

you need the most efficient operator." Mr Jeremy Marshall, chief executive of De La Rue, which also owns 22.5 per cent of Camelot, said: "I don't think our shareholders would be happy to see us devoting management time

for no return." GTech, Camelot's US shareholder, said: "We are goods and services without a the year to March had risen profit element. We are a forprofit company, but certain

and investment in a business

would not want to be part of holders, computer group ICL said it was awaiting the government's proposals, while Cadbury Schweppes declined to comment. ICL is an off-shoot of Fujitsu.

Mr David Rigg, Camelot's director of communications, said yesterday: "We would consider a long-term struc tural arrangement to include a not-for-profit concept, but what does that mean? De La Rue also said it was

concerned that the pay row which has engulfed Camelot executives could mean Camelot losing its top executives. Last week, Camelot announced that total payments to 10 executive and not going to provide our non-executive directors for

by 40 per cent to £2.3m.

Lex, Page 12

from acolytes.

Leading lady: Cherie Blair has acquired two "part time" assistants

reported dividends up 15 per at a time when the govern- Editorial Comment, Page 11 owns 22.5 per cent of Came-Racal results, Page 20 Government attacked over increase in special advisers

and George Parker

Senior Conservative politicians have attacked the Labour government's decision to employ at least 53 people as publicly-paid special advisers to ministers, claiming it represents a move towards "big government" at the pub-

Mr John Major, the former Conservative premier who is now leader of the opposition, was said to be angered that Mr Tony Blair, the Labour prime minister, had made at least a dozen more outside political appointments than was the case under the Conservative administration.

Salaries for the Blair government's of special adviser appointments made advisers, who are paid out of public under the Conservatives, which rarely

The Labour administration is employing at least 53, a dozen more than were hired by the former Conservative regime

money, are also a source of contro- went above 40. Aides to Mr Blair versy. Mr Blair's aides are insisting that the total cost of employing all the advisers will not go far above the £1.7m (\$2.8m) incurred by the previous government - but some could be earning well above £70,000 a year.

Mr Major's frontbench team is expected to ask an avalanche of questions in parliament over the next few days over why Mr Blair has exceeded the number

explained that move reflected the more centralised style of government Mr Blair was trying to adopt.

run things more from the centre," an official said. "That requires political direction and it requires people who made an input into the Labour election manifesto. The special adviser dates back to the

Labour governments led in the 1960s

and 1970s by Harold Wilson, who felt

"We made clear that we wanted to

civil servants", they are paid from public funds and tend to work in the office next to their masters. A typical special

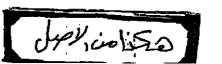
adviser will do everything from writing political speeches to giving confidential briefings to the press or carrying ministerial documents around the Houses of Parliament. Mrs Cherie Blair's appointments are

also of interest. Her predecessor, Mrs Norma Major, had an assistant paid from public funds on a part-time basis. But Mrs Blair now has two assistants Ms Fiona Millar (partner of Mr

ministers needed to have ready advice fied as "part-time". Aides explained their roles. For example, Mr Blair will Technically classified as "temporary be in Sweden later this week for a meeting of socialist leaders. So Mrs Blair is to present the Sun newspaper's bravery awards. "She will need someone to accompany her," an official said.

Professor Peter Hennessy, the leading academic expert on the workings of the government machine, believes that too many are now filling the ranks of the administration and that Mr Blair should cut them back.

Three of the current crop of advisers have powers that go beyond normal limits. Mr Alastair Campbell, press secretary to Mr Blair, and Mr Jonathan Blair's press secretary) and Ms Roz Powell, his chief of staff, are managers Preston (a former Labour party who can order government officials to worker) - both of whom are also classi-





he theme of today's column is revision. It is in the nature of the job that criticism in daily newspapers records reactions immediately after events, in many instances recitals and concerts are obvious examples - there is little possibility of revising or modifying that initial reaction, but very often in the case of television we could, if only we would, return to a subject. In the case of new series you do sometimes find a critic taking a second bite at the cherry, though rarely. Yet a critic, like anyone

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المراجب بتجيف

eise, may well change his mind. Mine has changed regarding the BBC1 comedy Keeping Mum which was defended here after its first episode against those who took high minded exception to dementia being used for comedy. I suggested that anyone who had had to deal with a close relative suffering from Alzheimer's disease knew that, although deeply painful, it was a phenomenon which also produced highly comical moments. That remains true, and writer Geoffrey Atherden has every right to exploit the subject. Moreover, Stephanie Cole's performance as the afflicted Peggy is superb, as you would expect from this actress. But the tone of the series is unfortunate. Occasionally you can sense sympathy, but there is too great a readiness to milk the situation for will surely be just as successful in every possible laugh, and too often amusing successive generations of water for a piece of fish, imagine what

Television/Christopher Dunkley

A second bite at the cherry

what you seem to hear is sniggering. Another newish comedy, See You Friday (ITV), looked at first like a welcome change in that its attitude towards heterosexual relationships was approving and even enthusiastic. However, as episodes have gone by it has become apparent that this is an over-studious British attempt to emulate those recent American comedies which so famously convey "the feelgood factor". In itself that is no bad thing, but - at present, anyway - it is proving too lovey-dovey, too sweet, too cloying, as the couple in separate cities strive to keep their weekend dates. Still, it is through-composed with events moving on from week to week (which is not true of every sitcom), so matters may improve.

Still with comedy, back in the days when Yes Prime Minister was having its first run (1986 to '88) too little admiration was expressed here. BBC2's Wednesday evening repeats are proving that this is as much a classic series as Dad's Army, and one which

viewers. Admittedly the weekly joke of having the top civil servant, Sir Humphrey, lapse into multisyllabic obfuscation is tedious, but that aside it stands up wonderfully well. Its great strength is in the convincing layer of authenticity lying just below the surface of the comedy, and that comes, presumably, from thorough research.

et's hope that in a few weeks time it will seem necessary to revise first impressions of another, though different sort of comedy series. "To see Harry Hill", we were promised, "is to experience one of the purest and most sophisticated forms of entertainment currently available in this country". If so, despair is in order for British comedy. You can always tell when producers are nervous about a new comedy series: they overdo the laughter. Sure enough, they have smothered Harry Hill in the stuff. "Make haste for the parade is in but half an hour", said Hill and the soundtrack exploded with mirth. "A dolphin will jump out of the

it'd do for chips", said Hill and the biggest ever audience share, was an producers gave us prolonged hysteria. It can only improve.

One other comedy, of yet another sort, deserves more celebration than it has received here so far. Few would have believed that a rip-off from Radio 4's News Quiz could ever be a big success on television, yet Talk Back's Have I Got News For You has become, for many, one of the few "must see" programmes of the week. The most important element in this is Paul Merton's ad-libbing. When he is on form, as he was on Friday, his lugubriously delivered flights of fantasy combine elements of Spike Milligan and Les Dawson. His yarn about the polar bear dropping through a greenhouse roof was wholly abourd yet hilarious. Furthermore, he makes the others funny.

Attitudes here towards Channel 5 need revising: so far the blind eye has predominated, but in truth the new network appears to be a disaster area. Saturday's Rugby Union showing the England/Argentina match, designed with the Poland/England football match to help the new network to its object lesson in how not to do sport. What we want is all the action with good camerawork plus well balanced sound, and a minimum of gorblimey experts in the studio telling us what to think. What we got was poor camerawork (Argentinian perhaps, but it was Channel 5 that brought it to us), disgraceful sound (apology captions appeared repeatedly) and much irritating studio pontification. Instead of just protecting the big occasions, perhaps the government could pass a law giving all sport back to the BBC whose

technical work and commentaries now

look like models for all the newcom-

ه یخنامن برمیل

Usually I am deeply suspicious of anyone who comes on screen to tell me how to look at the following movie, but Alex Cox's introductory notes for the BBC2 cinema slot, Moviedrome, were invariably exceptions. Yet I never found the space to celebrate his idiosyncratic and often fascinating introductions. Now, for the new Moviedrome series beginning on Sunday, Cox has disappeared (jumped or

pushed?) and his place is to be taken by Mark Cousins. Cox's flair for picking the odd, telling moment came out again in Close Up on Saturday when he nominated as his favourite film clip the moment in King Kong when the dinosaur pauses to scratch his ear. On this inconsequential detail Cox constructed a lightning but wholly persuasive critique of modern Hollywood and its lack of individual vision. BBC2 should find a way to bring us more of Cox. not less.

hich is an ideal cue to salute and regret the departure of Michael Grade, a man of individual vision, from Channel 4. His departure was marked by a workmanlike profile in BBC2's peculiar arts or culture series. The Works. If any of the spreadsheet experts now dominating British commercial television have anything like Grade's vision they are keeping it well hidden. Grade combined a happy vulgarity with a deep instinct to defend real freedom of expression, an invaluable combination which television can ill afford to lose. He was frequently in the limelight, but praised too little for his courageous defence of writers and producers whose work was under threat of suppression. In this instance revisionism comes a little late, but better late...

Ballet/Clement Crisp

The true nature of dance celebrated

its most entrancing at the weekend. It is an irresistballet company no less irresistible. The season has just ended with a new three-act ballet, Kim Brandstrup's Cupid and Psyche, and a final gala tribute to commemorate the artistry and influence of that great dancer, Henning Kronstam.

Though the Danish-born Brand-

strup's creative career has been for the most part spent in Britain - he is a product of the London Contemporary Dance School, and his Arc Dance Company has laboured splendidly here for a decade - his sensibilities remain Danish. His dance pieces are notable for their world. In them we find a poetic sense of location, and a strength of vision whose power is held somewhat in reserve. He has a taste for literary subjects as thematic material to be transmuted (not merely adapted) by movement which is unusual in today's dance theatre. Hamlet, The Dybbuk, Othello have been given alert choreographic expression. Subjects as different as Mexican celebrations for All Souls Day (Saints and Shadows) and the Hollywood film noir (Crime Fic- would benefit from editing to maintions) have inspired memorably tain the tension of the previous good dance. And, dance in Britain being what it shamefully is, Brand- is in everything helped by an admistrup has worked on a minuscule rable score from Kim Helweg, a budget; and poverty being the blessed state it is, his works have made their impact through imaginative resource rather than clutterm; decor. (An nunce of visual wit being worth several thousand tons of the bombast that brought us the Cupid, and of the entire cast, were Royal Ballet's Sleeping Beauty or

Dor: Omrate). With his first three-act work for The Royal Danish Ballet, which I saw at the weekend, Brandstrup Royal Danish Ballet were paying has paid a passing tribute to August Bournonville by using the theme of Capid and Psyche that was once Bournonville's too. For Brandstrup a challenge lies in updating the legend, through the daily contrast we may still see in Rome between memories and remains of the antique world that surround modern living. The Brothers Quay have designed a setting of classic pillars, colonnades, m which the tale is told as if in a Fellon film of the 1950s - a Vespa putters over the stage; the clothes

openhagen was looking at (Kandis Cook) are hideously of their period. Brandstrup's three acts show us

ible city, blessed with a Psyche as victim of Venus' jealousy, and the unexpected twist of Cupid falling in love with her. Then, in the second and most successful act. Psyche is loved by Cupid, but knows him only by night - she may not see his face. Curiosity of course kills that particular puss, and it is only when Psyche agrees to be blindfolded that Cupid's love is restored to her in Act 3. The narrative is, as you may judge, resonant with symbols. Brandstrup, who is a romantic his Orfeo has a happy ending maintains a slightly ambiguous view of the characters, and this skill in creating an atmosphere, a gives an odd savour to the action, where motives are not entirely clear. (And how life-like that makes the ballet seem!)

The choreography is serious, perceptive. The general dances and scene-setting in Act 1 are effective; the second act is emotionally taut, beautifully conceived; the third act - into which Brandstrup sets three dull divertissements featuring Ornheus, Lohengrin, B act. But the piece is a success, and musician working in the Royal Theatre, Atmospheric, dramatic, this is also musique-donsante, and a very considerable achievement. The performances of Heidi Ryom and Martin James as Psyche and vavid, expressive.

In celebrating the life and work of Henning Kronstam (who died in 1965, aged 61) the artists of the tribute to a great dancer who was to become director of the company from 1978 to 1985, and then a coach and teacher. Kronstam had many gifts. He possessed physical beauty. a lustrous technique, unfailing dramatic skill. In every role - and I count myself fortunate to have seen so much of his work - he was transformed. The Bournonville heroes were his by right, of course his James in Sylphide so haunted, impassioned - but he dominated everything he danced by selfless artistry. His Romeo for



Lis Jeppeson: the most natural and poetic of sylphs

Frederick Ashton, his Jean in Miss truest, loveliest of sylphs (every of the role still there in Kronstam's Julie, and his Apollo, were perfor- delicate pose and feeling made natmances that inspired andiences as they did other dancers by clarity of means as by intensest feeling.

Thus Sunday night's tribute, with many of his roles revived, from the Drummer in Graduation Ball (danced with tremendous élan by Johan Kobborg) to lengthy extracts from Napoli, La Sylphide, Giselle. Lis Jeppeson was again the

ural, right, poetic); and in the Quaker dance from the Whims of Cupid (which is 210 years old) Anne-Marie Vessel and Flemming Ryberg were sublimely glum, faces and spirits down in their sprightly

It was heart-rending to watch Riggins as Albrecht - everything gave such joy to the world.

gestures and expression - then heart-lifting to watch the company bubble through the last scene of Napoli. All the artists of the company were on stage, with the tarantella bursting with dancers sharing roles, their evident joy - which Bournonville declared was the true nature of dancing - making the film of Kronstam rehearsing Lloyd best of tributes to Kronstam, who Opera/Andrew Clark

Stars come out for 'Boccanegra'

efenders role as a purveyor of international opera will have felt vindicated by the performance of Simon Boccanegra which opened the Royal Opera's 1997 Verdi festival at the weekend: it matched beautiful voices to beautiful music. There was a star conductor. chorus and orchestra were well drilled and the cast seemed aware of each other. It was not an evening for those who like to have their grey cells stimulated, as Verdi surely wanted, and there was no evidence of the emotional heat on which Verdian drama depends. But by its own standards, this

was international opera of a

very superior quality.

To secure such musical exactness from a large ensemble is in itself an achievement - but what else its premiere in 1991, Solti her brightest talisman. ies the ea that have served him well throughout his life: whip the music into shape and mainpays dividends in the shimmering strings of the Act 1 prelude, in Verdi's spry accompanying figures and the sforzato flourishes of the big confrontations, on which Solti pounces like a tiger. And I've never heard the Recognition Scene driven to such an exultant climax.

Such all-purpose brilliance is nevertheless at odds with an opera whose character depends on subtle shades and flexible contours. There was not a shred of rubato, no sense of the inhalation and expiration of breath, nothing Italianate about the way the melodies were developed. Solti's Verdi always lacked humanity, and age hasn't changed his ways.

The polish of this and other recent revivals is quite remarkable when you take offstage turmoil: Terry

of Edwards's chorus is in stu-Covent Garden's pendous form, and Elijah Moshinsky provides another of his serviceable stagings an idea-free Boccanegra rather than the intimate drama of moral and emotional complexity which Verdi's Genoese opera aspires to be. Within those limitations, Michael Yeargan's set - a diagonal line of pillars - and Peter J. Hall's costumes are more than acceptable.

All bar one of the principals had sung their roles on previous occasions at Covent Garden. The exception was Marcello Giordani's Gabriele Adorno. He took some time to warm up, and his acting is no more intelligent than most Italian tenors, but he sings with unforced ardour, has a sense of Verdian line and looks a credible nobleman. Despite signs of nerves, it would be difficult to find does one expect from Sir fault with Dame Kiri te Kan-Georg Solti? Returning to a awa's ever-youthful Amelia, production he conducted at a part that has always been

prominence he deserves, but the stage is rightly dominated by Roberto Scandiuztain that shape strictly. This zi's Fiesco and Alexandru Agache's Boccanegra. The contrast is marked not just in looks - Scandiuzzi a patrician in the Charlton Heston mould. Agache a plebeian bruiser - but in diction: the Italian bass wins hands down on that score, sculpting his lines with seasoned skill. Agache sings with imposing weight, and brings statesmanlike authority to the Council Chamber, elsewhere, there is a want of finely-chiselled personality. Although one learns noth-

ing new about Boccanegra from this production of the standard 1881 version, it provides a valuable vardstick for judging the little-known first version of 1857, which will receive its British stage premiere at Covent Garden on June 28. The chance to compare the two is the chief into account the company's merit of this year's Verdi festival.

INTERNATIONAL

BERLIN

CONCERT Konzerthaus Berlin Tel: 19-30-503090 Berliner Sinfonie-Orchester: with conductor Friedemann Layer and sopratio Christine Schäfer in works by Wagner, Berg and Brahms; Jun 7

OPERA Steetsoper Unter den Linden Tel: 49-30-20354438 Cavaliana Rusticana: by Mascagni, Conducted by Simone Young, Soloists include Uta Priew, Johan Botha and Dennis O'Neill. The programme also includes a performance of / Paghacci by Leoncavallo; Jun 5

BIRMINGHAM

CONCERT Symphony Hall Tel: 44-121-2002000 Orchestra of the Age of Enlightenment: with conductor Sir Sunon Rattle and clarinettist Antony Pay in works by Schubert, Mozart and Haydn; Jun 6

ECHTERNACH

CONCERT Festival international d'Echternach Tel: 352-728347 Orchestre Philharmonique du Luxembourg: with conductor Vladimir Jurovsky in works by Moussorgski and Shostakovich; Jun 7

EDINBURGH EXHIBITION

Royal Scottish Academy Tel: 44-131-2256671 171st Annual Exhibition: featuring works by many of Scotland's leading contemporary artists; to Jul 5

FORT WORTH

EXHIBITION Kimbell Art Museum Tel: 1-817-3328451 Monet and the Mediterranean: exhibition bringing together 60 paintings produced by Monet on successive trips to the Riviera: from Jun 8 to Sep 7

FRANKFURT

CONCERT Aite Oper Tel: 49-69-1340400 Deutche Symphonie Orkester Berlin: with conductor Viadimir Ashkenazy in works by Chopin and Korngold; Jun 8, 9, 10

LISBON CONCERT Grande Auditório da Fundação

Gulbenkian Tel: 351-1-7935131 Orchestra of the 20th Century: with conductor Frans Brüggen and the Coro Gulbenkian in works by Mendelssohn: Jun 8

LONDON

CONCERT Royal Festival Hall Tel: 44-171-9604242 Philharmonia Orchestra: with conductor Mikhail Pletnev and violinist David Garret in works by Glinka, Tchaikovsky and Brahms; Jun 8

 Philharmonia Orchestra: with conductor Mikhail Pletnev and pianist two Pogorelich in works by Tchaikovsky and Sibelius: Jun 10

Tate Gallery Tel: 44-171-8878000 1997 Centenary Displays: special display marking the 100th anniversary of the Tate and featuring a number of major works from the Gallery's collection, from Stubbs and Gainsborough to Matisse and

EXHIBITION

Połlock; to Jun 30

Whitechapel Art Gallery Tel: 44-171-5227888 Cathy de Monchaux: display of **OPERA** work by the British sculpture who 39-2-88791 uses a wide range of materials. including brass, rusted steel, ass, paper, leather and chalk The Lower Gallery of the Jun 6, 7 Whitechapel has been transformed by a dramatic

as "dream architecture"; to Jul 27 THEATRE Cottesioe Theatre Tel:

44-171-9282252

installation, described by the artist

 Closer: written and directed by Patrick Marber. The cast includes Sally Dexter and Ciaran Hinds; to

LYON

DANCE Opéra National de Lyon Tel: 33-4-72 00 45 00 Bailet de l'Opéra de Lyon: performs Petrouchka choreographed by Nadi to music by Stravinsky and Concerto choreographed by Schlömer to music by Stravinsky; Jun 6, 7

■ MADRID EXHIBITION

Fundación Juan March Tel: 34-1-4354240 Max Beckman Retrospective: exhibition featuring 35 works completed by the German artist 1905-1950. Beckman was at the forefront of the German avant-garde with work that Realism; to Jun 8

MILAN

Teatro alla Scala di Milano Tel: Le Nozze di Figaro: by Mozart. Conducted by Riccardo Muti;

MUNICH

CONCERT Cuvilliés-Theater - Altes Residenztheater Tel: 49-89-296836 Bayerisches Staatsorchester.

with conductor Peter Schneider and cellist Lynn Harrell in works by Dvorák and Sibelius; Jun 8-10

■ NEW YORK EXHIBITION

The Metropolitan Museum of Art Tel: 1-212-8795500 No Ordinary Mortals – The Human (and not-so-human) Figure in Japanese Art: exhibition covering Japanese art from prehistoric times to the present. featuring paintings, sculptures, ceramics, textiles, lacquers and prints. Several newly restored paintings will be on display; to Oct 5

NICE EXHIBITION

Musée d'Art Moderne et d'Art Contemporain Tel: 33-4-93 62 61 Man Ray: retrospective

exhibition featuring a selection of more than 200 works by the American photographer, to Jun 9

PARIS CONCERT

Cité de la Musique Tel: 33-1 44 84 45 00

 Ensemble intercontemporain: with conductor David Robertson, trombonist Benny Sluchin and cellist Pierre Strauch inworks by Chin, Berio, Stroppa and Schoenberg, Jun 8

EXHIBITION Centre Georges Pompidou Tel: 33-1-44 78 12 33 • La gourmandise: exhibition

featuring works from the collection of the Musée national d'art and the Centre de création Industrielle. Featured artists include Lichenstein, Doisneau, Brassi and Warhol; to Jun 30

■ ROME

CONCERT Accademia Nazionale di Santa Cecilia Tel: 39-6-3611064 Orchestra dell'Academia di Santa Cecilia: with conductor Yakov Kreizberg and violinist Christian Tetzlaff in works by Mozart, Schoenberg and Brahms; Jun 8, 9, 10

VIENNA

CONCERT Konzerthaus Tel: 43-1-7121211 Wiener Jeunesse Orchester: with conductor Herbert Böck, in works by Prokofiev, Françaix and Dvorák; Jun 8

ZURICH

EXHIBITION Kunsthaus Zürich Tel: 41-1-2516765 Birth of the Cool: display of paintings by American artists, featuring works by O'Keefe, Newman, Pollock, Artschwager. Katz, Warhol, Wesley, Morley, Celmins, Close and Bleckner, from Jun 8 to Sep 7

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CNBC:

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10.00 European Money Wheel

Financial Times Business

COMMENT & ANALYSIS



Edward Mortimer

them are the following:

which the Iranian ambassa-

dor was present and posters

of foreign Islamic "terrorist"

groups such as Hamas and

Hizbollah were displayed.

The mayor has since been

arrested but the justice min-

ister, also a Welfare mem-

ber, shocked secularist opin-

◆ A bitter campaign

against the press, which

Welfare accuses of bias, and

an attempt to introduce a

press law distinguishing

good news from bad. The

only press law actually

passed limits the right of

newspapers to promote sales

through free gifts and

• A campaign to build a

mosque in Istanbul's central

Taksim Square. This is not

new, but has been stepped

up since Welfare came into

jobs at all levels of govern-

government

ion by visiting him in jail.

Disenchanted paradise

While Turkey's political class is absorbed in a struggle over secularism, the country's dynamic economy is held back by a corrupt and inefficient state

By almost all economic indicators, Turkey should be an investor's paradise. It has more than a century of market experience, a strong entrepreneurial culture and a flexible economy that responds quickly to finetuning. Since the 1980s, it has been open to the world. This opening process cul-

minated last year in a full customs union between Turkey and the European Union, though many Turks believe this was a one-sided bargain: Greece blocked the financial aid that was meant to come with it, and the first year showed a trade balance heavily tilted in the EU's

Yet few Turkish companies went bankrupt. Many of them contributed to the import surge by bringing in raw materials and investment goods, laying the foundations for future exports. In the first three months of 1997, says Mr Gazi Erçel. central bank governor, exports were up 6.6 per cent while imports were 5.5 per

Yet, he complains, Turkey is far from getting its due share of worldwide foreign investment. And while the growth rate - 7.9 per cent last year - is impressive given Turkey's 80 per cent inflation rate, Mr Ercel is in no doubt that it could be much higher.

He also knows what needs doing to bring inflation down: complete the privatisation programme, broaden the tax base and reform the bankrupt social security system. But such reforms need a stable government, which Turkey does not have. Political instability does not only hobble the economy through inflation. Talk of a fundamentalist takeover - or of a military coup to prevent it - also frightens away foreign investors.

Turkey's secular middle class is convinced the country is threatened by militant Islam. But most of the Erbakan: his foreign policy has been provocative

Necmettin Erbakan, the prime minister, and his ible Islamic counter-Islamically-inclined Welfare party relate more to their

 Empty but provocative attempts by Mr Erbakan to supposed intentions than to orient Turkish foreign poltheir actual deeds. Among icy away from the west and A rally organised by the towards radical Moslem Welfare mayor of Sincan, a states such as Libya and small town near Ankara, at

Welfare's ability to do actual damage in this coalition government, operating under the beady eye of the secular establishment, is in fact very limited. But the establishment has worked itself into a frenzy about what Welfare might do if not checked. There is mounting tension between the government and the armed forces. There is also discord between the coalition partners, or at least within the secular wing of the coalition - the True Path party led by Mrs Tansu Ciller, the for-

eign minister. The cabinet meets only at two-month intervals and the government has for all practical purposes ceased to govern. All political energies absorbed by the Islamist-secularist crisis. The armed forces have Systematic recruitment moved overtly into politics. of Welfare supporters to through the National Security Council on which their

charges brought against Mr ment, allegedly threatening commanders sit ex officio. In to bring about an irrevers- February this body reforms aimed at weakening the influence of religious schools, but the government has yet to comply.

A coup is unlikely. Three coups between 1960 and 1980 - each followed by an attempt to relaunch Turkish democracy on a sounder basis - have not prevented the present crisis. Today's military commanders are probably under no illusion that a fourth attempt would be more successful.

The current wisdom is that the army will not have intervene directly, to because the politicians will give ground without being forced. But that, in itself, is a step backwards for democ-

Inadequate civilian control of the armed forces is one of many grounds on which Turkey fails to qualify for full EU membership. If it were not already a member of Nato it would be regarded as ineligible for that too.

Even Turkey's leftwing intelligentsia, which a year ago was mobilised in protest against human rights violations, has now virtually dropped that agenda to rally behind the secularist banner, allying itself with the armed forces and the state prosecutor. Some opposition figures

the central issue is not secularism, but the role and personality of Mrs Ciller. The government, says Mr Ismail Cem of the Democratic Left party, is tainted with "original sin" since it is based on a betrayal of principle by both coalition partners. Mrs Ciller, who had pledged to defend Turkish secularism against Welfare's rise, ended up enabling it to form a government. Likewise Mr Erbakan, who had sought to put Mrs Ciller on trial for corruption, agreed to bury the charges in return for her

little to justify those who demanded educational hoped it would provide clean government and a more liberal attitude to ethnic minorities such as the Kurds. Turkey's dirty war against Kurdish nationalist guerrillas in the south-east goes on, with all its atten-dant human rights viola-

> Not surprisingly, there is general disillusionment with politics and politicians. Welfare previously benefited from this, and still hopes to. In the next elections it will argue that "the system" prevented it from governing and that it needs a majority to fulfil its promises. Most observers expect its vote to go up, from 20 to perhaps 25 per cent.

Last Sunday, the governing parties announced their intention to hold early elections: in the meantime Mrs Cilier would replace Mr Erbakan as prime minister. But they have yet to agree on an election date, and Mr Süleyman Demirel, the president, pointed out that he was not obliged to name Mrs Ciller as prime minister if Mr Erbakan resigned.

He could well first give a chance to Mr Mesut Yilmaz, the opposition leader, that Mr Yilmaz could secure a majority, even if Mrs Ciller's party disintegrated. No scenario offers any hope justify this by arguing that of a firm and stable government before next year ~ and it is hard to foresee one even then. The whole political system seems strangely divorced from Turkey's dynamic private sector and rapidly developing civil soci-

> "Since 1994, the business community has cut its links with the decision-makers in Ankara." says Mr Nurl Colakoğlu, head of Istanbul's 24-hour television news channel. This may be a wise decision on its part, but one that offers little hope of a way forward - at

Accountability of inflation-beaters

Robert Chote analyses the new committee responsible for setting UK interest rates

Mr Gordon Brown, the UK's will be instructed to pursue. advise it to develop better chancellor of the exchequer, has appointed four highly regarded economists from academia, the civil service and industry to help set interest rates on the Bank of England's new monetary policy committee. Untested and unelected, Britain's interest rates will be in their hands.

These four experts will sit on the committee with five Bank insiders. The City of London reacted enthusiastically to the names, which dispelled fears that Mr Brown would pack the committee with political cronies and inflation doves. Professor Charles Good-

Economics, is an old Bank hand and a leading expert on central banking. Sir Alan Budd, the chancellor's departing chief economic adviser, has long been seen as the in-house conscience of the Treasury. Professor Willem Buiter, from Cambridge University, is a leading theoretical macroeconomist. Ms DeAnne Julius, from British Airways, brings industrial experience and the fresh eve

of a US citizen. But none of these people has been elected - which is precisely the point. The Bank has been given independent control of interest rates to reassure the public. wage bargainers and the markets that rates are being set for economic, rather than political, reasons. Professor Kenneth Rogoff,

of the University of California (Berkeley), famously argued in 1985 that society would benefit if control of interest rates were handed to central bankers with a greater distaste for inflation than voters. But this demands that an independent central bank enjoys long-term public legitimacy. Mr Brown aims to secure the Bank's democratic accountability in five ways: • The chancellor will set

inflation which the Bank

This is an attempt to make a distinction between the "political" task of choosing a target and the supposedly "technical" task of setting interest rates to achieve it. • The chancellor will retain the right, with parliament's approval, to rescind the Bank's responsibility for setting interest rates if, "in extreme economic circumstances, the national interest demands it". Some economists argue that, even if this power is never exercised, it deemed will help prevent the Bank

when tackling inflation. Seven of the monetary hart of the London School of policy committee's nine members will be appointed on fixed but renewable terms. This means they cannot be too careless of public opinion if they wish to be reappointed.

from engaging in overkill

• The monetary policy committee will be overseen by the Court of Directors at the Bank, which will have particular responsibility for ensuring that it takes account of differing conditions in the various regions and sectors of the economy. • The committee will be required to justify its conduct of monetary policy in its quarterly inflation report

and to defend this in regular evidence to the Treasury also be a full parliamentary debate once a year. In the eyes of the public, the Treasury Select Committee is likely to be the main channel through which the Bank is held to account. Treasury and Bank officials

have always prepared themselves thoroughly for appearlonger-term view and a ances before the committee. but some argue that its effectiveness is undermined by political point scoring. Mr Bill Martin, economist at UBS and an adviser to the committee in the last parliament, argues that the mem-

symbol and the leader," says Professor Alan Blinder, a former Fed vice-chairman. Most questioning by the committees "would not impress the Oxford or Cambridge debating societies," he says, but the Fed's accountability to the public matters more. "If the chair man goes to Capitol Hill and gives nonsensical blather. then he may well be severely Select Committee. There will criticised in the financial markets and by academics."

lines of questioning when

the Bank is giving evidence.

what extent the select com-

mittee will hold the Bank to

account through the gover-

through the individual mem-

bers of the monetary policy

committee, in New Zealand

the governor takes responsi-

bility for achieving a target

laid down in a contract with

the Treasurer. He can be dis-

missed if his performance is

although this is not auto-

matic if the target is missed.

The formal position in the UK is closer to the US where

monetary policy decisions

are taken collectively by the

Federal Open Markets Com-

mittee. But congressional

scrutiny is dominated by the

chairman's appearances

before the Senate and House

"The chairman is both the

Banking committees.

inadequate,

It remains to be seen to

Mr Quentin Davies, a Conservative member of the old Treasury Select Committee, argues that parliament itself will have to decide how best to hold the Bank to account. This in turn will depend on where power really resides within the committee.

The experience of the Fed and the Bundesbank suggests the head of the central bank will wield power out of proportion to his voting strength. This could confuse the lines of accountability. Ironically, it would also limit bers of the select committee the "depersonalisation" of interest-rate setting, which should form a closer relaand City economists that of Mr Brown's reforms.



How long will the Derby last and will it be for only fools and horses? Why is the humble white T-shirt a hot item for the hip? Where can the intrepid traveller find lunar landscapes and white knuckle adventure within four hours of London? And why does a mentor maketh the man?

Find out in how to spend it magazine, Colour Supplement of the Year in the 1997 Newspaper Awards, published free with the Weekend FT on Saturday 7 June.

FINANCIAL TIMES

LETTERS TO THE EDITOR.

Number One Southwark Bridge, London SEI 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax. to fine'). e.mail: letters editor@fi.com Published letters are also available on the FI web site, http://www.FI.com Translation may be available for letters written in the main international languages.

Super-SIB concept too complex and over-concentrates power

From Mr Michael Taylor. Sir, As author of the "Twin Peaks" plan for reforming the UK's system of financial regulation, I would endorse the argument that there is a danger that a single regulator will obscure the different objectives of

In contrast, the purpose of the "Twin Peaks" model, with its separate agencies for systemic stability and consumer protection, is to make them more clearly dis-

In addition to the confusion of regulatory objectives, there are at least four other significant problems with the "super-SIB".

First, a single regulator runs the risk of experiencing decreasing returns to management. The broad range of activities it will seek to regulate will impose excessive burdens on senior manage ment, and could well result in information overload. Had years ago, and had its man-

agement been engaged in dealing with a problem on the scale of pensions misselling, it is doubtful that they would have spotted the problems at Barings any more readily than did the Bank of England.

Second, a single regulator will be exposed to reputational contagion every time a financial scandal occurs. How will the super-SIB be able to avoid an apparent failure in one area of its regulatory responsibilities damaging its reputation in other, unrelated, areas?

The argument that monetary policy and banking supervision need to be kept distinct to preserve the credibility of the former seems to apply equally to the task of. regulating different sectors of the financial services industry.

Third, how will the super-SIB, and especially its compensation scheme, be funded. How much crosssubsidy will be built into the arrangements? Will investment banks be expected to contribute to the costs of clearing up pensions misselling? This could damage London's position as an international financial

Fourth, a single regulator simply places too much power in too few hands. It will be responsible for regulating a group of industries which collectively account for 19 per cent of UK gross domestic product.

On each of these counts a "Twin Peaks" model offers a superior solution to the super-SIB. I trust that the government has not so far pre-judged the issue to have ruled out this option before the consultation process has even begun.

Michael Taylor, reader in financial services regulation. London Guildhall University, London EC2M 6SQ.

Dogmas are short on wisdom

From Sir Gerald Elliot. Sir, The FT intellectuals, and many investing institutions, seem to be in the grip of two fashionable dogmas, one that the pay-back of capital and substitution of loans for equity will improve a company's earnings in both the short and longer term, the other that the breaking of any large company into parts, separately quoted, will increase total profits and share prices. The code name for this is "shareholder value". Of course these ideas have merit in certain ctrcumstances, but to apply them universally is absurd. It was revealing to read Lex ("Thorn EMI", May 29) struggling to reconcile its belief in the demerger of Thorn and **EMI** with its evident failure in share price terms.

A company which I helped to build up, Christian Salvesen, fell victim to the same dogmas a few months ago, when a large repayment of capital and "demerger" were pushed through despite strong opposition by its private shareholders. The unwisdom of that has been already reflected in a substantial fall in the share price. I hope institutions investing in British industry will think again before the damage caused by these doctrines becomes widespread.

Gerald Elliot, 8 Howe Street Edinburgh EH3 6TD, Scotland, UK

A soft option may offer no choice at all From Mr George R Lees.

Sir, In a matter of a few weeks we have moved from contemplating the future of Emu in terms of a hard euro to a soft one.

It is little wonder that the ordinary German views the euro as "fudge-coated chocolate money" that he certainly does not want to put in his pocket!

lem has always been, and remains, the difficulties of financing the welfare state. National differences in welfare systems make the situation even more difficult, but the budgetary problem is the most intractable. Each time a country proposes a significant reform, political opposition (and strikes) blocks

The soft euro implies an

Italian rather than a German approach to monetary management. The implications of this change in monetary policy are higher rates of inflation and interest rates. A soft euro may, of course,

George R Lees, 12 Roedean Cres London SW15 5JU,

Pay rise was fiscally responsible and within the law

From Mr Roy

Chaderton-Matos. Sir, I refer to your report Venezuela cabinet faces probe" (May 29). While the UK has been enjoying the warmth of an anticipated summer following the general election, in Venezuela. where political campaigns tend to run a little longer, the heat of premature electioneering gives rise to dis-

torted realities which sneak

into the international press

in the guise of established truth. Although citizens of democratic societies grudgingly put up with electoral posturing, they rely on the media as a means of filtering out the chaff and the out-

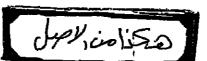
right fabrications. One of the proudest achievements of President Rafael Caldera's government has been its agreement with the unions and the private sector on a fiscally responsible pay rise. The ministerial

all branches of government were in a position to honour the agreement drawing from existing budgetary resources and set in motion the standard process whereby additional credits are requested from the National Congress. in so doing, my government has not only acted in accordance with the law, but also with its commitment to economic growth and social jus-

cabinet simply ensured that

To paraphrase President Caldera: "It is a difficult state of affairs indeed, in which a high-ranking official entrusted to control public spending, can proclaim to the media that the payment of the workers' salary increase is a crime."

Roy Chaderton-Matos. ambassador, Embassy of Venezuela 1 Cromwell Road, London SW7 2HW, UK



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Wednesday June 4 1997

Retreat on German gold

Theo Waigel, his finance minis- raise much of the cash needed ter, had to beat an undignified retreat yesterday from their plans to top up their budget with a revaluation of the Bundesbank's gold reserves. It was a wrong-headed plan, which has damaged the country's reputation for responsible book-keeping. It has harmed Mr Kohl politically, in the run-up to the launch of the single European currency and the elections he faces next year.

At least the government has had the good sense to back down in the face of near-universal condemnation, and the scathing criticism of the central bank. Any benefit from the gold revaluation exercise will now be postponed until 1998, as the Bundesbank had demanded. That leaves a gap in the budget of at least DM10bn to be filled in the current year if Germany is to keep its budget deficit down to anything like the Maastricht

limit of 3.0 per cent of GDP. Finding another source of savings, or revenue, to reduce the deficit is going to be a bruising battle, but this is one Mr Kohl cannot afford to lose. His coalition partners, the Free increase, the most obvious pro- going to get.

Chancellor Helmut Kohl and Mr posal, is that it would rapidly and all would go to the federal

> If Mr Kohl cannot get his coalition to deliver on the measures needed to let Germany qualify fair and square he can hardly force other countries to do it. At all costs, he must avoid a solution which smacks of further creative accounting, such as using privatisation receipts to fill the budget hole. But that was precisely the measure being proposed last night by members of the government. If tax increases are out of the ques tion, spending cuts must be con-sidered. For far too long, this government has failed to tackle the question of subsidies to industry and to agriculture. That is where new savings should be found.

Even if a compromise can be found, the whole episode has left the impression that Mr Kohl is willing to risk anything, including a conflict with the Bundesbank, in his determination to achieve Emu. This suggests Emu at any price, even if it means allowing others to use similar dubious accounting tricks, and an unstable succes Democrats, as well as Mr Wai- sor to the D-Mark. That is not gel's own Christian Social what the German population Union in Bavaria, are fiercely wants. The chancellor must opposed to the most obvious now work to persuade his elecsolution, new tax increases. The tors, and his European partners. advantage of a petrol tax that it is not what they are

Canada's vote

something new is being born," said Mr Preston Manning, leader of Canada's Reform party, just before Monday's fed-

The something that is being born, however, is a regionally fractured political system. The Canadian parliament elected on Monday will have five substantial parties, four of them heavily regional in support. Ontario, the largest English-speaking province, belongs to the Liberals. providing two-thirds of the new government's seats. Quebec is the fief of the "sovereigntist" Bloc Québecois. The west is in the hands of Mr Manning's populist Reform party, the east is the base of the Progressive Conservatives. Only the leftwing NDP retains an even spread of national representation.

The risk is that this splintered politics will in time splinter the nation. The next Quebec referendum on independence could well be called before the turn of the century. As Mr Manning's rancorous anti-Quebec election rhetoric showed, a "yes" vote in Quebec might not lead to amicable renegotiation of the relationship between English- and French-speaking communities, as the sovereigntists hope, but

instead to vitriolic divorce. That fate is not inevitable. There are some consoling signs in the election results. too

Something old is dying and government felt confident enough to call it ahead of schedule is an indication of the success of its fiscal reforms. Though the Liberals did less well than they had hoped, they remain in power - an indication that the electorate values the government's achievements.

Second, though Mr Manning now becomes the leader of the opposition, he does so without a wider national constituency Reform won no seats outside the west; it did particularly badly in Ontario, Mr Manning' rhetoric travels poorly

Third, the Conservatives have brought themselves back from near-extinction, and played an important role in beloing the Liberals win seats in Quebec Their charismatic leader. Mr Jean Charest, has promised to take a bipartisan approach to national unity alongside the Liberals.

Still, Mr Jean Chrétien, the returning prime minister, has some tricky times ahead. He must run a splintered country despite a slender government majority and a dented credibility. His approach to the national unity issue, undermined by the regional strength of Reform and BQ, requires a fresh start. Back in government, Mr Chrétien must discover the ideas and vigour lacking in his election cam paign. Otherwise, the something that is dying will be the belief First, the fact that the Liberal in a united Canada.

Utilities tax

government's first Budget on July 2 will be a retrospective tax on privatised companies which breaks important rules of fairness. In the next four weeks. Mr Gordon Brown, the chancellor, should seek to minimise the

damage.
At the time of privatisation, an implicit contract was made with shareholders: that prices would be restrained by regulators, but investors could pocket the gains made from improved efficiency. If the Budget suggests that the new government cares nothing for such contracts, the cost of capital will be raised and incentives to be efficient reduced.

Moreover, if the tax is too large, or clearly discriminatory, it could be open to legal challenge – a bad start for Labour's efforts to make friends with industry. Mr Brown's first imperative should be to keep the tax as small as possible pearer to the £3bn needed to Brown could pick a formula finance his welfare to work scheme than the £5bn to £10bn which had been suggested.

Second, he must find a formula which shares the burden as equitably as possible. There are three main options for calculating the base for the tax: date to do so. His least bad excess profits relative to a option will be to let the burden norm, total returns to share- fall evenly. A tax base of relaholders, or shareholders' returns relative to a broadly last has the merit of being rough justice, but all that is transparent and of measuring available.

At the centre of the UK Labour roughly what the government

says it wants to tax. However, a little shuffling of starting dates and methods of calculation can make the levy fall in very different ways. So it may be difficult for Mr Brown to argue that his scheme is not arbitrary or unfair.

For example, if the tax were based on relative total returns up to December 1995, the electricity companies would pay 60 per cent of the total, while British Gas and British Telecom would pay nothing. This reflects the fact that BT and British Gas were squeezed by their regulators in the later years.

But it might be thought fairer to measure excess returns in the first year after privatisation for every company. In that case, electricity utilities would be hit for only about 14 per cent of the total, compared with 40 per cent for BT and 10 per cent for Brit-

Between these extremes, Mr which spread the pain more or less as he liked. It is highly undesirable that a chancellor should determine retrospective impostes on individual companies with such precision. However, he has an electoral mantive shareholder returns for three years after each privatisabased stock market index. The tion might achieve this. It is

Surge of disagreement

Bruce Clark explains why a fierce battle is raging over how to deregulate the US's last great monopoly – the electricity market

US electricity market: sparks are flying

forecasts, the break-up of the last great monopoly in the heartland of capital-ism should usher in a new world of cheaper energy and faster growth.

But for every optimist, there is without careful handling, the deregulation of a US electricity market worth \$200bn (£122bn) a year could have dire social and financial consequences - particularly for big, old utilities.

The one thing nobody doubts is that in some manner, the bracing wind of market forces will soon blow through a sector whose pricing, technological choices and customer base have long been closely controlled.

"If consumer choice is good. and greater competition is good, we have a moral imperative to make it happen sooner rather than later," said Mr Tom DeLay, the Republican Congressman, when he presented a bill - one of seven proposals before the US legislature - that would allow retail customers to choose their power supplier in 1999.

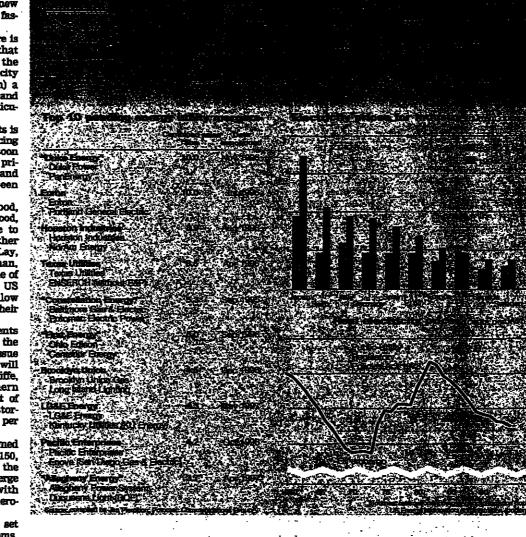
Even his toughest opponents insist that they too accept the need for the market. "The issue is not whether competition will happen," says Mr David Ratcliffe. a vice-president of Southern Company, one of the biggest of the heavily regulated, investorowned utilities that supply 75 per cent of US electric power.

The number of investor-owned utilities, currently about 150, could drop to 100 by early in the next decade as companies merge and restructure to cope with deregulation, says Mr Jim Pierobon, an energy consultant.

Apart from the precedent set by air transport and telecoms. two factors are pushing the power industry towards the market: frustration among large, industrial users over wide variations in prices, and the advent of combined-cycle gas turbines that have made it cheaper to enter the generation game

power producers and traders, outside the established utility network, is competing hard in a fastemerging wholesale electricity market. Sales by independent completed public hearings on the marketers, boosted by a glut in subject and virtually all the othcapacity, rose eightfold last year ers have made preliminary to 230m megawatt hours.

The price differentials are ssive. Average electricity prices in states such as New cess? The pace and scope of impose a uniform rate of change. own for an electricity law, priYork are more than 11 cents a deregulation are the subject of a kilowatt hour, while in Long bitter and well-financed war for utilities for "states' rights" partly sion needs to be made for recoupsoid a so acrimonious.



Island, lumbered with a nuclear legislators' hearts and minds. reflects a belief that state governpower station that was never used, charges can reach 17 cents. At the other extreme, electricity users in Idaho pay an average of 4 cents. Meanwhile, the latest gas-turbine technology has made it possible to produce power at a A new breed of independent cost of 3.5 cents per unit and falling, even on a very small scale.

Five states have already enacted laws calling for retail competition. Four more have

But what, if anything, should

Each side has assembled a coalispeak for producers, users and the general good. But the fault line is clear.

One camp, including big corpoutilities and the large Houston-based gas and electricity company Enron, believe the federal government should mandate freedom of retail choice by a fixed date. On the other side, a majority of investor-owned utilities. in partial alliance with trade unions argued that local conditions vary Washington do to guide the pro- too widely for Washington to are developing proposals of their

ments will show a proper undertion of lobby groups claiming to standing of the issue of allimportant "stranded costs". These refer to about \$135bn in was hugely overstated. past investments, particularly in nuclear power, which were rate consumers, a minority of guided by public policy but will become uneconomic under free market conditions.

utilities from passing on stranded costs to customers - a formula that would spell disaster for older utilities, while benefiting newer

Administration officials, who rently closed to them."

agree that state governments may be best placed to decide. In a position that older utilities

will welcome, an official says: We are inclined to avoid setting a date certain for retail choice ... and to focus instead on removing barriers to competition by making the necessary amendnents to federal laws.

These include the Public Utilities Holding Companies Act of 1935, which makes it difficult for larger electricity groups to raise capital or diversify, and the Public Utility Regulatory Policies Act of 1978 which encourages the purchase of power from co-

generation units and renewables. The administration also wants to ensure the maintenance of "stranded benefits" - service to low-income and rural customers. and sound ecological practices which might not survive deregu-lation. While utilities will want to keep these obligations to a minimum – particularly in respect of renewables - they can probably live with them as long as the horror of a bar on

ut some tough ideological battles over stranded costs lie shead. Mr DeLay and other advocates of fast-track change, with no allowance for past mistakes, have drawn many of their arguments from a study published by Citizens for a Sound Economy, a Republican think tank. This predicted that deregulation would lead to a drop of "at least 43 per cent" in consumers' electricity bills, and a recurring gain in gross domestic product of 2.6 per

cent, or \$191bn at 1995 prices.

Mr Matthew Kahal, an energy economist, won the approval of -the opposing lobby with a rebuttal of the study, concluding that the projected \$191bn GDP gain

But perhaps the CSE study's most challenging statement was its prognosis for the sector's finances. "Approximately 30 to 40 existing, publicly traded electric The DeLay bill would prevent utility firms will suffer significant equity losses because of price declines when deregulation comes," it concluded. "A similar number of low-cost producing entrants to the market not firms will increase in value as and small consumers, have weighed down by past mistakes. they expand into regions cur-

California has adopted a 'big bang' approach to deregulation, says Christopher Parkes

🗬 alifornia, ever protective of its reputation as a trend-setter, has taken with relish to the notion of free competition in its \$20bn-a-year the "big bang" strategy might hope to have an idea of the num-electricity market. the "big bang" strategy might hope to have an idea of the num-tus as publicly owned operations

Less than a year after the state legislature gave approval, the California Public Utilities Commission last month declared that the era of deregulated power next vear.

phased approach, it said all markets should be deregulated at once. The only constraint would be the ability of the companies and the transmission system to

Trend-setting state

try's ability to deliver them. But they were persuaded that provi-sions in the legislation which require cuts of up to 20 per cent supply would start on January 1 in residential and small business users' rates by 2002 demanded Setting aside a proposal for a a much more adventurous

A preliminary assessment should be available by the end of this month when the state's seven investor-owned utilities, and the dozens of smaller munic-

early rate cuts beyond the indus-switch suppliers. Industrial and commercial users, some of which they have been quick to respond. expect to reduce their power Some, encouraged by prospective bills by up to 30 per cent, are outside suppliers, started posiexpected to be first in line. At about the same time, the commission will draw up its roster of would-be power suppliers to the state market, together

So far, the most obvious activ-Some commissioners suggested ipal and co-operative providers, utilities. Even though their stat previously generated and distrib-

with a list of applicants seeking

to offer metering and billing ser-

scope of the state legislation, outside suppliers, started positioning themselves even before the commission's decision.

A milestone deal was struck in January between the Northern Enron, the aggressive Texan energy group. The agency, representing a clutch of small municipal utilities with 700,000 customity has involved the numicipal ers, between them, had

uted all its own electrical power and supplied its customers with gas from Pacific Gas & Electric the biggest utility in the state.

Competition from Enron, it said, would help reduce gas prices. A similar effect would result from Enron's links to cheaper electricity sources elsewhere in the west, while the agency's new partner would also help it modernise its billing and metering services.

Thus Enron, which in the past California Power Agency and 10 years has captured a 17 per cent stake in the US wholesale gas market and has a declared aim of a 15 per cent share of electricity, gained a strategic footbold in the country's most

OBSERWER

Northern exposure

■ Lord Moyne - Jonathan Guinness as was of the... eponymous drinks family - has made a barnstorming debut on the Scandinavian corporate scene. Virtually unknown in the region until a fortnight ago, his near \$87m spending spree has made him a favourite topic of lunchtime chat.

First there was the cash purchase - at a hefty premium of a controlling stake in small Swedish investment company. Trustor. Then, this week, the acquisition of a dominant holding in Finnish sporting goods group Amer.

The deals both courted controversy. The Amer shareholders - four Finnish academic institutions - sold to Moyne in defiance of the board. triggering the chairman's resignation. At Trustor, Moyne has ruffled the feathers of institutional investors who feel he has ignored their interests. A director of Guinness between 1961 and 1988, he has been largely out of the limalisht. since. Speculation is rife over his agenda. "Why has he suddenly

wondered one Swedish investment banker. Moyne says simply that he has identified a number of

descended on Scandinavia?"

opportunities in Scandinavia. Headmits to having no experience of sporting goods but says Amer-like Grinness - possesses, strong brands. His self-esteem. appears not to have been denied, anyway. His statement to Amer shareholders sale "the Lordbecoming chairman of the board.

Hall of fame ■ Hong Kong's new convention

and exhibition centre is a big ? place. But is it big enough? As the venue for the ceremonies: marking the handover of the British colony to China at midnight on June 30, the harhour front building may see some deficate diplomatic manoauvrings because Britain. the US and others are determined to avoid giving any hmit of endorsing the territory's controversial Belling-backed provisional legislature. Thing Kong's government in

waiting has decided that the legislature, which will replace the existing elected chambes, is to be swotn in during the handover ceremonies That noses something of a dilemm for British prime minister Tony Blancard Other western critics of the provisional hode More than an hom's gap is scheduled between the nin

flag being lowered and the

departure of Prince Charles and Governor Chair Entire, and the short of the sweeting of One administration fending he has picture to activitie of playathers.

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Dawn chorus: -New Zoaland is hoping to cash in an those four sea with want to be first into the next nullicinium test are unwilling to venture on to any of the competing chimies of Pacific Coess coef within that the surplies there first on January

i 2000. The leading contender is

So the people of Havelock, North thought they digoth, made when the New Zentand internal affairs aministry said less, weak that pearty. To Maits Peak, would be the first maintain spice. That wasn't good enough for

That wasn't good enough for local estructural Royal.

Handford, who has used two Ness computer good supersures to purposed Titischel at Keiti Hill at Gistorie. He kin from Hardbort North, as the recipient of the first auditomial rays. The ministry says dishorpe will be industries for a full Suscende after the light falls on he Mains and the argument is now in full swing. A lot of compensarity most and I similar are ridge and the custome.

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FINANCIAL TIMES

Wednesday June 4 1997



Election exposes deep regional divisions

Canada's Liberals win five more years

By Bernard Simon in Toronto

The Liberals have secured a second five-year mandate to govern Canada - but the electorate has cut their majority and exposed the country's deep regional divisions.

The ruling party won 155 out of 301 seats - down from 177 seats in the previous election in 1993 - after a poll that gave all the main parties, with one exception, cause for both celebration and contemplation. Some strategists said Mr Jean Chrétien, Liberal leader and prime minister, could face a challenge from his own party.

The Reform party, whose stronghold is the western provinces of Alberta and British Columbia, emerged as the official opposition in the House of Commons, boosting its representation from 52 to 60 seats.

Reform's populist platform, which included a hard line against Quebec nationalism and pledges to cut taxes and abolish gun controls, failed to sway voters in Ontario, one of its main targets, and the party ing in by fewer than 1,600

By John Burton in Secul

ment-backed committee.

watchdog.

influence curbed under plans

tabled yesterday by a govern-

The financial reform com-

mittee proposes to grant inde-

pendence to the country's

central bank and transfer the

ministry's supervision of the

financial sector to a new

battle between the finance

ministry, which will draft the

reforms when he appointed

corruption scandals may have

which has controlled the econ-

"consigned President Kim to a

relatively passive role for the

The scandals

The plan sets up a bruising

did not capture a single seat votes. Mr Chrétien, whose east of Manitoba. The Progressive Conserva-

tive party, which held office from 1984 to 1993 but was reduced to two seats in the last election, staged a modest comeback with 20 MPs. Political observers were unsure whether the Tories' performance would be sufficient to attract funds and volunteers over the next five years.

The secessionist Bloc Québécois was reduced from 54 to 44 MPs, but captured more seats than many observers had expected after a gaffe-prone campaign. The social demo-cratic New Democrats won 21 seats, up from nine in 1993.

Mr Chrétien called an early election saying he wanted a fresh mandate to take Canada into the 21st century. But he is widely perceived to have run a lacklustre campaign, offering few fresh ideas.

His own constituency in rural Quebec was one of the with the prime minister scrap-

S Korean president faces

battle for finance reforms

remainder of his term", which

South Korea's powerful Yoon Yong-chul, banking separate bodies currently finance ministry could see its analyst for SBC Warburg overseeing banks, securities

The commission's most con-

troversial proposal is to give

the central bank autonomy in

setting monetary policy

instead of being subject to the

political influence of the

bank independence would

financial policies, while

improving prospects for stable

policy freed from political

bank has long fought a

Although the ministry is

expected to oppose the pro-posal for central bank inde-

pendence, it has accepted the

finance ministry, which has to pre-

Securities in Seoul.

inflation.

President Kim endorsed the prices through a monetary

the panel in January. But considerations. The central

undermined his ability to bureaucratic war against the push through changes against finance ministry in trying to

an entrenched bureaucracy gain autonomy.

political career spans more than three decades, gave no indication yesterday of stepping down. But one Liberal strategist said: "His position is weakened. It would be surprising if there weren't some

grumblings and mumblings." The Liberals' second term is expected to be dominated by Quebec separatists' plans for another independence referendum, and by a debate on fiscal strategy after the federal budget is balanced, probably in

Financial markets gave the election results a muted reaction, with the Canadian dollar virtually unchanged and bond prices slightly lower.

Mr Mark Chandler, economist at Goldman Sachs Canada, said relief at the Liberal majority was tempered by its slim margin of victory and by the Reform party's outspoken stance on Quebec.

Populist ready for the limelight, Page 6; Editorial

that it should create a finan-

The new supervisory board

will report to the prime minis-

ter instead of the finance min-

istry, at present responsible

The panel, however, bowed

conglomerates greater control

Some analysts believe the

industrial groups could

improve the management of

the ailing banks, which are

saddled with large bad debts

because of corporate lending

decisions dictated by govern-

to a 4 per cent individual shareholding in the main

banks, to prevent them from

further increasing their con-

siderable economic power. The

panel decided to maintain the

Conglomerates are limited

ment bureaucrats.

sure from the finance

houses and insurers.

for such regulation.

ends early next year, said Mr cial watchdog to replace three

often emphasised economic ministry in scrapping a

growth at the expense of proposal to give Korea's big

Analysts believe central of the main banks.

World Bank sends managers to learn from burger bars

By George Graham in Interlaken

James Wolfensohn, president of the World Bank, is sending 300 of his top managers to business school to learn to think more like Burger King

Mr Wolfensohn, who won board approval this year for a far-reaching investment and restructuring programme to improve the bank's operations, said the training was part of his efforts to change its culture.

He wants the bank to become less preoccupied with how many loans it approves and more concerned with how much its projects help improve conditions in the developing countries which are its

"They [the managers] never knew the bank was so much like Burger King, facing the same problems of improving the effectiveness with which it serves its clients," Mr Wolfensohn told an audience of senior commercial bankers in the Swiss resort of Interlaken yesterday.

Managers are being sent in groups of 15 on six-week management training courses devised by the universities of Harvard and Stanford, and the Kennedy School of Government. The courses will bring the managers together with executives from industry, finance and government organisations in developing countries.

The training course is rounded off with a seventh week spent in the field. "not in a hotel but living in a slum with a non-governmental organisation".

Mr Wolfensohn said the real problem in changing the World Bank's entrenched management culture lay not just at the top but in the "marshmallow middle". To tackle the problem head

on, the World Bank had removed 150 line managers from their jobs and made them reapply, either for their own jobs or for positions elsewhere in the organisation.

"Some people who are icons are not getting jobs. Others who are comers are getting jobs," he said.

The World Bank's restructuring will add \$250m to its running costs between now and 2001. Its aims include shifting resources from administration to front-line operations, developing new services, boosting the technical expertise of staff and decentralising activities to client countries.

Mr Wolfensohn admitted the transformation would be difficult. "To change a bureaucratic organisation into one that is client-orientated is not an easy task."

THE LEX COLUMN Buba wins the gold

By defusing its golden bomb, Germany has given monetary union back some much-needed credibility. The government's retreat in the row over revaluing Germany's gold reserves is a victory for the Bundesbank and points to a tougher monetary union - one in which none of the participants can cook their books. This is certainly what lifted European bond and stock markets, as well as the D-Mark, yesterday. But Germany still has a problem. Without the extra "profit" from the gold reserves, it has virtually no chance of hitting the Maastricht cri-

teria in 1997. And time is running out: even if spending cuts or tax rises turned out to be politically feasible, there are only six months left to fill a hole in the budget that could be anywhere between DM10bn (\$5.8bn) and DM20bn.

A delay, unthinkable until recently, is therefore starting to look more likely. If monetary union were to be decided on 1998 figures, Germany should qualify - perhaps even without use of the gold profits. which would by then have passed over to the government. Certainly it should be able to demonstrate convergence towards Maastricht, allowing Chancellor Helmut Kohl to enlist the Bundesbank's help to sell the euro to the German people.

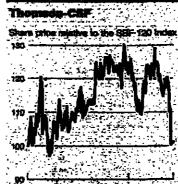
Even a postponed Emu, however, would probably still have to be a broad one, not least given the attitude of France's new government. And of course, just a brief delay the labour market shake-up a workable Emu badly needs.

French privatisation

Has the juicy French privatisation programme really been stopped dead, or is it just likely to suffer a brief post-election hiccup? The Socialists' hostile rhetoric has been conspicuously vague on detail. Yet the small-print promise of pragmatism provides optimists with plausible grounds to conclude all is not

Their best argument is financial. There are mouth-watering sums at stake. True, privatisation proceeds do not help with the Maastricht defnarrow perspective, a decision to Telecom would surely put a quesits pension fund transfer as conveniently cutting the public deficit. Then there are the likes of Crédit Lyonnais, GAN or Thomson Multi- tive threats. One-2-One, the smallest

FTSE Eurotrack 200: 2370.6 (+15.2)



nedia, where privatisation is the only obvious answer to the businesses' seemingly endless capacity to drain state cash. In unloved cases such as these, it is difficult to see ideology triumphing over expe-

diency for long. The pity is that the better argument for privatisation - that it will be good for the business concerned is far less likely to count. Consider the case of Thomson-CSF, which is crying out to be privatised and play a full part in the restructuring of Europe's defence industry. The snag is that where economic logicians see "restructuring potential" from setting such a business free, the new government will would still not be long enough for quite rightly see gruesome job

Vodafone

Vodafone has come through a tricky year in pretty good shape. Like a captain moving his men through a narrow mountain valley, the process of shifting Vodafone's UK business customers from its analogue network to its digital one was always going to be dangerous. Enemy mobile groups stood ready to pick them off.

But, in practice, Vodafone has managed to hang on to the lion's share of its best customers. This has not been cheap: £52m (\$84.8m) had to be spent last financial year icit criteria - but even from that to subsidise handsets for customers making the switch to digital. Furabort the partial sale of France ther expense will be incurred this one from which value is leaking as year, because the migration process tion mark over the decision to treat is not yet complete. But, thereafter, the costs will drop out and the most vulnerable period will be over.

There are, of course, still competi-

UK mobile phone group, is getting its act together. Vodafone may eventually need to respond by cutting prices. But One-2-One does not seem intent on launching an all-out price war, none of the market's four competitors has an interest in cut-ting its own throat. While the heady growth of previous years has abated, there should be enough to keep UK profits on a modestly ris-

ing curve.

Meanwhile, Vodafone's foreign operations are rapidly swinging into profit. Last year's maiden £10m operating profit should be followed by over £100m this year and £200m next. With such an outlook, the shares, which trade on around 20 times current-year earnings, do not look expensive.

Racal Electronics

Racal is up for sale. Oh no it isn't. Sir Ernest Harrison, Racal's veteran chairman, is adamant that there is value hidden in the underperform ing electronics group and promised yesterday to stick around until he finds it. How he will do so is rather less clear. Some of Racal's mixed bag of telecommunications, defence and data products businesses could be sold, joint ventured, even floated in the US; others might more sensibly be grown internally, or at least sorted out before disposal. But which business will be blessed with which strategy remains a mystery though teams of highly paid investment bankers are on hand to help Racal's managers make up their

They might look at the stock market instead. The message from a share price that has underperformed by a third over two years is that investors are uncomfortable with Racal's management running anything, let alone a group of high tech businesses in rapidly changing markets. The one ray of light after three profit warnings in six months has been the hope of a rapid break-up of the group. While sumof the parts valuations range widely from 188p to 330p, most suggest an uplift from yesterday's 235p share

The first step from here to there is to find a partner for telecome services, Racal's best business, but competition increases and margins decline. Until Racal manag the shares are best avoided.

Additional Lex on Amstrac.

Investors shun Bakun dam issue

Continued from Page 1

the money raised from Ekran's rights issue, M\$660m is to partfinance its subscription for a 32 per cent stake in Bakun Hydroelectric, the dam opera- Critics of the dam say the to support Bakun Hydroelectric, the dam opera- critics of the dam say the to support Bakun Hydroelectric, the dam opera- critics of the dam say the to support Bakun Hydroelectric, the dam opera- critics of the dam say the to support Bakun Hydroelectric, the dam opera- critics of the dam say the to support Bakun Hydroelectric, the dam opera- critics of the dam say the to support Bakun Hydroelectric, the dam opera- critics of the dam say the to support Bakun Hydroelectric, the dam opera- critics of the dam say the to support Bakun Hydroelectric, the dam opera- critics of the dam say the to support Bakun Hydroelectric, the dam opera- critics of the dam say the to support Bakun Hydroelectric, the dam opera- critics of the dam say the to support Bakun Hydroelectric support support Bakun Hydroelectric support support Bakun Hydroelectric support suppor

launch its IPO late in July. made to finance the acquisition of Wembley Industries

aunch its IPO late in July. per cent return on equity after A further M\$278m will be it starts generating in 2003 is used to repay borrowings too low to justify its M\$13.6bn construction cost. Scepticism was evident last month when Holdings, an Ekran subsidiary. 54 underwriters were needed Critics of the dam say the to support Bakun Hydroelec-

FT WEATHER GUIDE

Europe today Sunny periods will prevail across

Scandinavia, the Benefux and Germany. France will start off with abundant sunshine, but the southwest will become increasingly cloudy by afternoon, followed by showers and thunder storms. More rain with some strong thunder storms are expected in eastern Portugal and much of Spain.

Italy will stay dry with mostly clear skies although scattered cover is likely over the Apennines. Greece will also be sunny, but the Balkans can expect cloud with showers and the possibility of thunder storms. In Turkey scattered afternoon thunder storms are possible.

Five-day forecast

Showers and thunder storms will spread across France, and even to the Benefux countries by Friday. Cloud and widespread rain or thunder storms are also expected over much of Italy during the next few days. By the weekend most of these showers will have moved across to the Balkans.



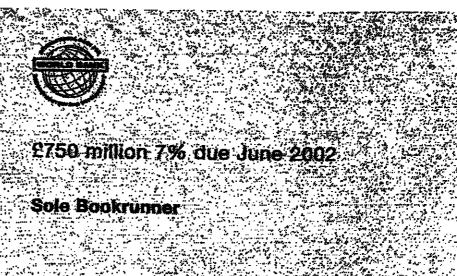
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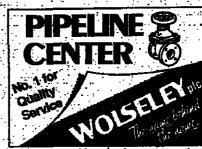
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INVESTMENT BANKING, FROM A TO



IN BRIEF

CNN, Oracle link for internet news

Cable News Network is to announce a joint venture with Oracle, the database software company, to create a "personalised" news service on the internet. The CNN service will be the most sophisticated of its kind, providing users with text, graphics and video news reports according to their interests. Page 17

Hilton's interest in ITT wanes Hilton Hotels, waging a \$6.5bn hostile bid battle for the rival ITT hotel and casino group, showed signs of losing interest in the fight after it emerged that ITT was entertaining offers for some of its prime hotels. Page 18

Enron and Enel plan electricity venture Enel, the Italian state electricity group, reached a tentative agreement with Enron, the Texas energy group, to form a L5,000bn (\$2.94bn) joint venture to compete in the Italian and European electricity markets when they are deregulated in 1999, Page 15

Humana to buy Physician Corporation Humana, the US managed-care provider, has agreed to buy Physician Corporation of America in a deal valued at \$400m. As part of the offer, Humana will take on \$130m in debt. Page 18

Thai water utility set for \$50m IPO Thailand will test the market for water privatisation in Asia this week as East Water, a government water distributor, attempts to become the first private water provider in the region. The company is launching a public share offering worth at least \$50m. Page 16

Transformer may cut electricity costs The cost of electricity for industrial users could be cut by millions of dollars a year as a result of a transformer being developed by Hitachi of Japan and AlliedSignal of the US. Page 16

Financial income lifts Carlsberg A sharp increase in financial income boosted pre-tax profits at Carlsberg, the Danish brewery erom. from DKr741m to DKr870m (\$132m) in the stx months to March 31. Page 15

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Unisource partners to strengthen ties

THE FINANCIAL TIMES LIMITED 1997

Unisource, the alliance of European telecommunications operators shaken by the defection of a key partner last month, moved yesterday to tie the remaining members more

tightly together. The partners, KPN of the Netherlands. Tella of Sweden and the Swiss national operator, said they intended to merge their carrier services operations into a 22hn turnover pan-European wholesaler.

Telecoms alliance's move comes as co-founder departs

ity to other operators. Mr Paul Smits, Unisource president, said the move had stable organisation, Mr Smits been under consideration for said. some time but had been precipitated by the decision of Telefónica of Spain to switch last month from Unisource to Concert, an alliance of British Telecommunications and MCI

ing networks created a more

Unisource is one of a small number of alliances hoping to benefit from European telecoms liberalisation on January 1 1998. It is the European partner of AT&T, the largest US operator, but has been plagued Partnerships involving by talk of instability. This will

wholesale transmission capac- exchanges of equity were not be improved by news that source executive said his fairly simple to undo - merg- its co-founder, Mr Ben Ver- departure would not affect the officer, that AT&T-Unisource waayen, president of PTT Telecom, the Dutch national operator, is to take a top post at Unisource," he said.
Lucent Technologies, the largest US telecoms manufacturer. made president of Lucent's

Lucent Technologies, the largest US telecoms manufacturer. Mr Verwaayen was chairman of AT&T-Unisource in addition to his responsibilities at PTT Telecom. He has been seen as the driving force

blow for PTT Telecom than for

international operations and will direct foreign strategy and operations virtually everywhere outside North America.

and was "airaid of becoming part of the furniture". He had been assured by Mr-John Waialliance: "This is more of a did not depend on individuals. Mr Rich McGinn, Lucent's chief operating officer, said be had recruited Mr Verwaaven to help the company realise its global ambitions. "He has an acute business mind and understands the customer issues and the global perspec-McGinn said.

Japanese

by rivals

insurers hit

on pensions

Japan's biegest life assurance

companies manage fewer cor-

porate pension fund assets

than they did a year ago,

according to data compiled by

the Trust Companies Associa-

The decline, the first in 30

The sector, dominated by

the top 18 life companies, saw

March 31. By contrast, Japan's

trust banks increased their

share of corporate pension

funds by 14.8 per cent over the

its assets under manag fall 3 per cent to Y15,698hn (\$134.75bn) in the year to

years, reflects increasing com-

tion of Japan.

al-Mart to control Mexican retailer

By Daniel Dombey

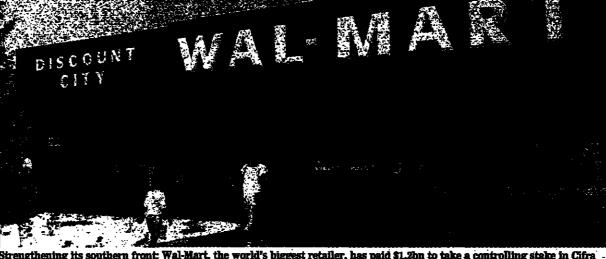
in Mexico City

Wal-Mart, the world's largest retailer, yesterday announced it would purchase a stake giving it majority control of Cifra. the Mexican retailer, in a deal worth \$1.2bn.

The deal, which builds on a joint venture launched in 1991, comes at a time when two other US retailers - Kmart and Sears - have withdrawn or reduced their presence in the Mexican market. With overall retail sales in Mexico still at only three-quarters of the level reached in 1994, before the peso crisis, Wal-Mart emphasised that it was not looking for a quick profit.

"Wal-Mart's outlook in Mexico has always been long term," said Mr Les Kaplan, a company spokesman. He noted, however, that the company's Mexico operations have produced a positive cashflow in the past few months. "It is an excellent opportu-

nity to diversify," he added, referring to Cifra's restaurants and department stores, which Wal-Mart had been thought reluctant to take on.



Strengthening its southern front: Wal-Mart, the world's biggest retailer, has paid \$1.2bn to take a controlling stake in Cifra

April that Wal-Mart was seeking to acquire an equity stake in the Mexican company. Under the terms of the agreement, Wal-Mart will exchange its stake in the joint venture for Cifra common stock. Pending shareholder approval, the

been in discussion for most of outstanding Cifra shares at Arango family, which has con- where Cifra has more experithe year and it emerged in between \$1.89 and \$2.03 a

> Wal-Mart's fresh investment is expected to come to a total of \$1.2bn.

Before the acquisition is completed. Cifra will pay a \$300m dividend to its existing shareholders. Half the shares US company will purchase a are publicly traded, while most

trolled the company since its ence. The US company also creation 40 years ago.

The existing joint venture ment expertise to expand else between the two companies controls 145 stores and restaurants in Mexico. Cifra independently manages a further 228 stores and restaurants.

Wal-Mart said its purchase was an opportunity to expand cent at 12.74, while Wal-Mart

hopes to use Cifra's manage

where in Latin America. Although some analysts said Wal-Mart was paying a hefty premium, the markets welcomed the deal. By midday Cifra C shares were up 2 per

period, and foreign companies also made inroads. Competition is intensifying,

partly as a result of deregu-In April last year the Life Insurance Association of Japan cut the level of the guaranteed annual return offered by fund managers from 4.5 per cent to 2.5 per cent. Life companies lost busiss after the move.

Nempaku, which manages tor pension fund assets reduced the amount of funds it places in the so-called "fixed 9 per cent, greatly influ smaller pension funds.

The fall in Japanese interest rates and declining yields on holdings, has also hit the life industry, depressing returns. highlighted last month by the collapse of the Nissan Mutual

Coca-Cola acts to oust competitor at McDonal By Richard Tomkins restaurants. allowances" were part of nor- The segment is dominated by per, which has 14.8 per cent of

John Willman in London

Atlanta-based Coca-Cola, the world's biggest soft drinks company, is trying to push Cadbury Schweppes, the UK group, out of thousands of McDonald's fast-food outlets in the US, it emerged yesterday. Coca-Cola confirmed it had offered McDonald's franchisees one-time gifts of between 200 and 600 gallons of soft drink syrup if they would agree to

serve only Coca-Cola products

an important market for products made by Dr Pepper/Cadbury Schweppes North America, Cadbury Schweppes' US subsidiary. These include Dr Pepper, 7UP, Canada Dry, Schweppes, A&W and Sunkist.

Cadbury Schweppes, number three in the US soft drinks business, said it had already matched Coca-Cola's offer and would take all possible steps to protect its market - including. if necessary, legal action. Coca-Cola said "conversion

US-soft drinks industry.

Fast-food restaurants are some of the most important outlets for soft drinks in the US. Soft drink companies supply the restaurants with syrup, which is then mixed with water and gas to make fizzy

According to Beverage Digest, an industry newsletter which reported Coca-Cola's move, fountain sales account for 22 per cent of the US carbonated soft drinks market.

Coca-Cola's position stems partly from a handshake agreement with McDonald's under which it is exclusive supplier to the company's 1,800

60 per cent of fountain sales.

restaurants in the US. But another 9.500 McDonald's restaurants are owned and operated by franchisees, who may choose their own suppliers. Many franchisees already buy only Coca-Cola products,

but others supplement them ring costs in the "low millions with those supplied by Dr Pep-

ket, behind Coca-Cola, 43.1 per cent, and PepsiCo, 31 per cent. Coca-Cola is telling McDonald's restaurant owners Pepper products because it can match them with its own range. The free syrup it is offering is enough to make 30,000 to 90,000 drinks per restaurant, representing a big profit opportunity. Cadbury Schweppes said it was incur-

The 3 largest buyouts in Continental Europe

of dollars" to match the offer.

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Barry Riley

The hard choices if the euro turns soft



12, 19

http://www.FT.co

fund managers enjoying a good run for relative performance, but suddenly the main foundations of this prosperity - dollar strength and the European convergence strategy - are being called into

The latest global fixedincome performance analysis from Frank Russell shows most managers continued to outperform the global bond indices in the first quarter. The Salomon Brothers World Government Bond Index has been especially easy to beat over the two-year period to March, with the median manager adding nearly 4 per cent a year in performance. The J.P. Morgan Global Government Bond Index was a

slightly tougher benchmark over this period. There is a danger of benchmark obsession, however. In the first quarter actual total returns in dollars were negative as bond yields generally rose. Perhaps clients should look harder at their absolute risks, given that 10-year yields in the core European markets

are still below 6 per cent. in playing the relativity game, however, the bond fund industry can legitimately hope to exploit the obvious inefficiencies that persist in the global market. They have heavily underweighted Japanese government bonds, for instance, which were plainly getting riskier as yields dipped towards 2.1 per cent at the start of the current quarter. between a soft, all-embracing

(They are now 2.6 per cent.) Many global bond funds have nothing at all in Japan, although JGBs account for about 15 per cent of the J.P. Morgan Global Government Bond Index. More than half have nothing in France, where yields are artificially low because of domestic life assurance tax breaks. (A full weighting would be 8 per cent.) There has seemed no reason not to pick up 15 or 20 basis points of yield by investing in German bunds instead That portfolio preference has brought fund managers a per-

In playing the relativity game the bond fund industry can hope to exploit. inefficiencies in the global market

formance bonus relative to the

benchmark in the past week or two as the Socialists have moved back into power (or cohabitation, anyway) in France. The spread is now

down to 11 basis points. The broader question, however, is whether heavy exposure to Europe (43 per cent in terms of the index) has become counterproductive. March-to-March, the total return on bunds in dollars was minus 7 per cent. European monetary union seems to be collapsing under new monetary policy committhe weight of its economic con- tee will have its first chance tradictions. With the Germans on Friday to show its teeth struggling to meet the

enthusiastically touting Greece as the "last convergence play". No wonder the Bundesbank finally decided to stand and fight on the gold revaluation plan. Yesterday's news of a modified fiscal package steadied the markets. Somewhat paradoxically, as the dollar strengthened, the

yield spread between US Treasuries and German bunds climbed through 1996 and early 1997 to 100 basis points (and is still some 90 basis points). The economies of the two are, of course, at different stages of their cycles; but the justification for such a yield relationship must be questionable if Emu is to be based, as the French Socialists seem to insist, on the priority of reining in the competitiveness of Italy and Spain rather than on price stability and sound public finances.

Already, global bond fund managers have been jolted by the sudden weakness last month of the dollar against the yen. That will have cost most the benchmark in the current potential now exists for violent movements in government bond and currency markets as the euro drama progresses.

The post election surge in UK gilts has been another important second-quarter feature. The Bank of England's and impress the bond markets. straightforward Maastricht cri- Italian and Swedish bonds still teria, the looming choice is yield less, but gilts may be

By Eric Frey in Vienna

The planned full privatisation of Bank Austria may be delayed until well into of political battles over bank the next century following the revelation yesterday that Germany's Westdeutsche Landesbank, which already owns 10 per cent in Austria's largest bank, has a right of first refusal to shares controlled by the city of Vienna.

News of WestLB's option sparked a heated row between the Social Democratic and the conservative domestic control.

People's parties, which govern together at the national level and in the capital. It is the latest in a series

privatisation in Austria. The People's Party wants the left-led Vienna government to unload a 45 per cent stake in Bank Austria – worth about Sch20bn (\$1.65bn) - that is held by AVZ, a foundation controlled by the city authorities. However, it also insists that Bank Austria remain under

takeover by Bank Austria of the government's 70 per cent stake in Creditanstalt, the country's second-largest bank, which was traditionally close to the conserva-

tion that Bank Austria was

fully privatised. Last month, the coalition in Vienna agreed to sell all Bank Austria shares over the next six years. But day demanded that the unless WestLB renounces its right, a sale of the AVZ reversed. This was rejected

Earlier this year, the shares is unlikely until after by Mr Viktor Klima, the could be hurt by the pros-People's Party agreed to the 2001, when the German Social Democratic chancel- pect of further share offerbank's option expires and a lor, and dismissed as techni-Austrian buyer can be

WestLB took the option when it acquired its existing Bank Austria stake in late tives, only on the the condi- 1995. The People's Party claims it was misled by the bank's management, which kept the option secret.

Mr Hannes Farnleitner, economics minister, yester-Creditanstalt sale should be

cally impossible by banking

The Social Democrats and Bank Austria will certainly be happy about any delay in the sale of the AVZ shares. The bank is planning a Sch3bn rights issue later this month and the federal government hopes to unload its 19 per cent stake in Bank Austria before the end Sch8.Sbn. These placements

pect of further share offer-

Mr Michael Haupl, Vienna's mayor, said he would prefer the city's stake to wither away, as AVZ would not participate in a share swap for Creditanstalt minority shareholders in the autumn and in future capital

But for the People's Party. the AVZ shares are a symbol of excessive influence by the EUROPEAN NEWS DIGEST

Grundig admits to deeper losses

Grundig, the troubled German electronics company. yesterday admitted to a bigger loss last year than had been previously estimated. It blamed extra costs associated with its separation from Philips, the Dutch electronics group. Philips cut Grundig adrift in January, relinquishing management control, after heavy losses at the German company which the Dutch group was obliged

Grundig said it recorded a net loss of DM631m (\$366m) in 1996, higher than the March estimate of DM553m, and which it expected Philips to pay. The 1996 shortfall followed a DM598m loss in 1995. Grundig said that since March, a further DM78m in costs had been incurred in connection with the separation from Philips. This took total restructuring costs in 1996 to DM265m.

Graham Bowley, Frankfur

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BA/AA decision delayed

Mr Karel Van Miert, the European Union competition commissioner, yesterday said the Commission was unlikely to give its verdict on the proposed alliance between British Airways and American Airlines until after the August holiday. The controversial deal has been on ice for a year, waiting regulatory approval from British, EU and US competition authorities.

Recent co-operation between the new British government and the Commission, as well as a cordial meeting on Monday between Mr Van Miert and Mr Robert Ayling, BA's chief executive, raised expectations that the Commission would rule on the deal before the summer break. But the Commission will have to consult a committee of national competition officials on the alliance, so a final recommendation is likely to be Emma Tucker, Brussels

Endesa in share split

Endesa, Spain's leading power group, yesterday became the latest Spanish company to propose splitting its shares to make itself more attractive to small investors. The four-for-one split, reducing the nominal value of Endesa's shares from Pta800 to Pta200, comes ahead of a privatisation offering this autumn in which the state is

set to sell up to half its 67 per cent stake in the group. The split is aimed at ensuring that a large part of the offering - which at current market prices would be worth up to Pta980hn (\$8.7bn), Spain's largest - is placed with retail investors, widening the group's shareholder base. Endesa's shares closed yesterday at Ptall 260, a rise of 1.8 David White, Madrid

Suez-Lyonnaise gets go-ahead

The European Commission will today approve a merger between Compagnie de Suez and Lyonnaise des Eaux, the two French companies, according to Mr Karel Van Miert. the competition commissioner.

He said that by offering to sell Lyonnaise des Eaux's 49 per cent stake in a Belgian waste management company, the new company, to be known as Suez-Lyonnaise, had produced an acceptable remedy to the only potential competition problem raised by the merger. Emma Tucker

SBC launches green funds

Swiss Bank Corporation has launched two investment funds enabling investors to buy shares in "ecologically sound" companies, joining a growing number of financial institutions creating "green" investment vehicles.

The bank has developed criteria for ecological including Mr Ernst von Weizsacker and Amory Lovins, co-authors of Factor Four, which sets out how industry can increase profits by making more efficient use of energy and materials. The SBC Eco Performance Portfolio - World Equities is

being offered until June 13 at SFr500 a unit and is subject to an issue fee of 1 per cent and 0.165 per cent in Swiss turnover tax. Over the same period, SBC's AST investment foundation is offering a fund called "Aktien Welt Oeko-Performance" for SFr1,000 a unit.

Rhône-Poulenc joint venture

Rhône-Poulenc, the French chemicals and drugs group, plans to sell 50 per cent of its French chlorine, soda and bleach production and marketing operations to LaRoche Industries of the US for an undisclosed sum to create a 50:50 joint venture.

The move is in line with the French company's strategy of focusing on speciality chemicals activities, which are seen as less sensitive than base chemicals to economic cycles. The activities in question have an annual turnover of between FFr500m and FFr600m (\$86m-\$103m). David Owen, Paris

Socata chief resigns

Mr Jean-Marc de Raffin-Dourny has resigned as chairman of Socata, the light aircraft manufacturing subsidiary of Aerospatiale, the French state-owned aircraft, space and defence group. He will be replaced by Mr Philippe Debrun, chairman of Revima, the Aerospatials controlled aeronautical maintenance specialist. No reason for the resignation was given.

PolyGram keeps first place in music sales

By Alice Rawsthorn

PolyGram consolidated its position as the world's largest music company in the first quarter of this year. while Sony and Warner both lost market share, according to the latest issue of Music & Copyright, the FT news-

EMI, which last week announced plans to shed staff in North America, also increased sales.

By far the fastest growing music company during the quarter was Universal Music, whose music sales rose 61 per cent to \$367m.

Universal, a subsidiary of Seagram, the Canadian entertainment group, has long been the smallest of the multinational music groups. Its performance has share of the market with improved in the two years quarterly sales up 2.9 per gram, which has expanded the increase was attributable exchange rates.

Universal's operations out- to the Spice Girls' debut side the US.

Another catalyst for the increase in Universal's firstquarter music sales was a series of best-selling allums from acts signed to Interscope, the US label, in which it has a 50 per cent stake notably No Doubt, the US band, and Bush, the British group. But despite Universal's growth it is still smaller than other multinational

music groups. PolyGram, part of Philips, the Dutch consumer electronics concern, saw music sales rise 9.4 per cent to \$1.01bn in the first quarter, thanks to strong demand for the new U2 and Andrea

Bocelli albums. EMI, the UK group, claimed the second-largest

album. Warner, part of Time Warner, the US media company, mustered music sales of \$933m. down 5.1 per cent on the first quarter of 1996. when Alanis Morissette's Jagged Little Pill sold

Similarly the 18.5 per cent decline in sales to \$848m at Sony Music, part of the eponymous Japanese electronics group, reflected a fall-off in demand for Celine Dion's albums.

Quarterly sales figures were not available for BMG, the world's fifth-largest record company, which privately-owned German media group.

Music & Copyright cautions that its figures are influenced by external facsince its acquisition by Sea- cent to \$999m. Almost all tors such as different



No Doubt, a US band, helped Universal Music's sales grow faster than its rivals' last quarter

Heidelberger, Kodak in digital printing tie-up

By Graham Bowley in Frankfurt

Heidelberger Druckmaschinen, of Germany, the world's biggest supplier of printing presses, and Eastman Kodak, of the US, yesterday forged a strategic alliance for the joint development and marketing of digital printing products.

The move reflects the increasing sophistication and competition in the international printing industry. Rapid technological change, partic- moving more aggressively away

a significant influence on printing systems solutions," he said.

Mr Richard Pignataro, president of Kodak Professional, the professional imaging unit which is the US company's second-largest division, said the deal meant the companies would be able to offer a the German company. wider spectrum of compatible printing services.

is a clear signal. Kodak has been the printing industry.

Kodak - which is a leading pro- now positioned to satisfy those film, paper and other printing supplies - with image setters and other printing equipment made by The companies said the move

was a step towards providing "one-"This is a big step for Kodak: it stop" shopping for customers in

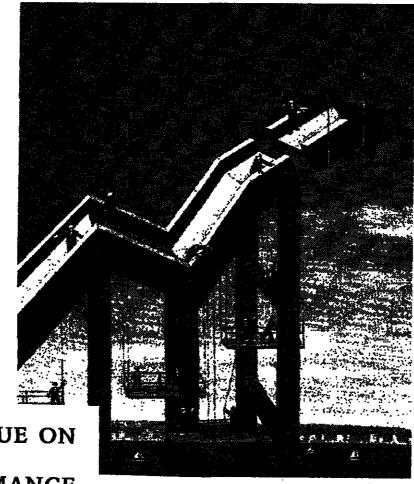
"A large set of customers require

ularly in digital imaging, is having from consumer goods towards integrated computer-to-output solu- change hands immediately, but tions to maximise the potential of that the companies would work The agreement will provide digital technologies, and we are ducer of digital printing plates, needs around the world," Mr Pig- tually in the pooling of investnataro said.

The agreement will strengthen links between Kodak Professional and Linotype-Hell, the German printing company in which Heidelberger acquired a majority stake last year. Kodak and Linotype-Hell already co-operate in some areas.

together more closely in marketing, technology sharing and even-

Mr Wolfgang Pfizenmaier, a member of the board of Heidelberger Druckmaschinen, said: "We will continue to help our customers migrate from analogue to digital solutions and augment their offset printing business with new digital Officials said no money would printing solutions."



BUILDING VALUE ON **PERFORMANCE**

> Our achievements in 1996 again reflect confidence in Landesbank Rheinland-Pfalz as a resourceful, reliable banking and finance partner. The year's results also demonstrate sound business policies combined with the entrepreneurial spirit of our staff whose commitment and expertise were decisive for the Bank's continued strong performance.

Group Financial Highlights		1996	1995
Business Volume	DM billion	88.0	76.2
Balance Sheet Total	DM billion	82.0	71.1
Claims on Customers	DM billion	32.4	27.3
Liabilities	DM billion	46.1	42.1
Certificated Liabilities	DM billion	27.1	20.6
Equity Capital	DM billion	2.5	2.3
Operating Income	DM million	279	231
Net Income	DM million	121	114

These figures confirm the overall strategic direction of Landesbank Rheinland-Pfalz to offer its clients and partners the benefits of highly professional service capabilities.

LANDESBANK RHEINLAND-PFALZ

Diversity helps Anglo advance

By Mark Ashurst in Johannesburg

Anglo American, South Africa's biggest company, withstood a decline in earnings from its industrial and platinum interests to announce a robust increase in full-year profits.

Net income for the year to March 31 rose 24 per cent, from R6.1bn to R7.6bn (\$1.7bn), while earnings per share increased 23 per cent, to R21.44. The final dividend was R5.40, for a total of R7. Analysts said the results at the upper end of expectations - justified the diversity of the group, although expansion of Anglo's core businesses had strengthened the case for changes to the group's capital structure. "Diversity has paid off. Gold has done very well

while industrials came off -

pen next year," said Mr Rob Kirtley, analyst at Deutsche Morgan Grenfell. Diamond earnings

increased a third to R1.13bn. or 17 per cent of the total. reflecting renewed strength in the rough diamond Industrial and commercial

earnings fell 4 per cent to

R1bn, or 34 per cent of the total, from 39 per cent previously, as the group's Mondi subsidiary was hit buy weak pulp and paper prices. The weaker rand buoyed contributions from gold and uranium to R631m, or 15 per

Anglo's offshore associate.

TREASURY SERVICES

cent of earnings, from 9 per cent previously. Headline earnings from mining finance interests were 28 per cent higher at R998m, after a record performance from Minorco,

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od from 4 June 1997 to 4 September 1997 has been fixed at 4.73 per cent per annum. The coupon amounts due for this period are FRF 118.25 per denomination of FRF 10,000 and FRF 1,182.50 per denomination of FRF 100,000 and are payable on the interest payment date 4 September 1997,

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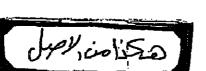
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FINANCIAL TIMES Financial Publishing



COMPANIES AND FINANCE: EUROPE

Enel, Enron set to form joint venture

By Paul Betts in Milan

Enel, the Italian state electricity group, yesterday reached a tentative agreement with Enron, the Texas energy group, to form a L5,000bn (\$2,94bn) joint venture to compete in the lialian and European electricity markets when it is deregulated in 1999.

Under a non-binding letter of intent signed between the two groups, Enel plans to transfer a number of electricity generating plants with total capacity of up to 5,000 megawatts into the joint venture.

In turn, Enron Europe will acquire a 50 per cent stake in the new company, giving it access to the Italian power market when it is deregulated in two years as a result of the European Union's electricity liberalisation pro-

The agreement hinges on the Italian government meeting the EU's 1999 electricity deregulation deadline as well as Euron's due diligence process on the plants to be transferred by Enel into the new venture.

Enel has yet to identify these plants, which are expected to involve a combination of single cycle oil and gas fired plants to be ungraded to combined cycle

gas fired plants. The deal is part of a series of joint venture to put together ahead of electricity deregulation when it will have to shed 30

in Copenhagen

ended March 31.

equity markets.

cent last time.

 \P^{*1}

A sharp increase in net

financial income boosted

first-half pre-tax profits at Carlsberg, the Danish brew-

ery group, from DKr741m last time to DKr870m (\$132m) in the six months

Operating profits were

flat, rising only DKr2m to

DKr532m, but financial

income increased from DKr211m to DKr338m,

reflecting strong bond and

Sales were ahead 8 per

cent, from DKr8.53bn to

DKr9.21bn, attributed pri-

marily to the appreciation of

sterling against the Danish

krone and to the inclusion of

50 per cent of Sweden's Faicon Breweries, against 30 per

Investors were unim-

pressed by underlying performance, however. Carls-

berg shares closed at

DKr388.00, down DKr7 from

Monday's close and off an

earlier high of DKr399. Mr Flemming Lindelov, reporting for the first time

Carlsberg lifted

by sharp rise in

financial income

per cent of its domestic

If finalised, these agree-ments would enable Enel to realise the value of power assets which it would otherwise be forced to shut down when the domestic market is finally liberalised.

The Enron venture follows a recent deal between Enel and Eni, the Italian oil and gas group, which have ed to form a joint electricity generating venture to compete in the deregulated market

The new Enel-Eni joint company will also involve 5,000MW of power plants and investments of about

Enel and Eni will transfer a number of existing power generating assets into the new company, which the two groups eventually hope to float on the Italian bourse, and possibly on the New York Stock Exchange as

The two Italian companies each plan to own eventually a 20 per cent stake in the new company, which they hope will also attract other international energy groups. The US General Electric company is understood to have already shown interest in the Enel Eni venture.

Enel has also teamed up with Deutsche Telekom to form a joint telecommunications company to compete agreements that Enel, the for the third licence to operworld's second-largest elec- ate a mobile telephone net tric utility in terms of work in Italy. The joint veninstalled power, is seeking ture would absorb Enel's extensive in-house fixed-line tions assets.

since his appointment a

chief executive at the beginning of the year, said full-

year pre-tax profits were

expected to be "almost" level with last year's DKr1.57bn.

But two strategic moves were being held up by com-petition investigations, the

In the UK, the proposed

merger between Carlsberg-

Tetley, a 50-50 joint venture, and Bass, the UK leisure

group, is on hold while the

new Labour government

considers whether to approve the agreeme

But Carlsberg said it was

satisfied with the perfor-

mance of its operations in

the UK given the uncer-

tainty among employees and

customers caused by the

authorities' long investiga-

In Sweden, a propos

berg and Coca-Cola for bot-tling and distribution of

Coca-Cola and other soft

drinks, announced on March

4, is being held up by a Euro-

pean Union investigation. The outcome will not be

known until September.

company said.

Popular capitalism sweeps Portugal

EdP offering has attracted unprecedented demand from the public for shares, writes Peter Wise

Portugal is turning into a nation of shareholders almost overnight as the privatisation of Electricidade de Portugal, the national power utility gest company, stimulates an unprecedented shift of savings out of bank accounts into the stock market.

The government decides tomorrow how much of the company it will sell, and how it will split the issue between retail and institutional investors.

The number of sharehold ers in the country, which has recently been reclassified as a developed rather than an emerging equity market is set to jump from about 1 per cent of the population – about 100,000 people - to more than 6 per cent as a result of the RdP initial public offer.

Forecasters estimate the offer will attract more than 600,000 individual shareholders, compared with 85,000 for the country's previous biggest privatisation. Small savers, mostly new-

comers to the stock market, have already placed almost 1.2m orders for more than 3.2bn shares. That is more than enough to buy the entire company five times

over, and more than 40 times the stake that the centre-left Socialist government initially envisaged for retail

"Demand for EdP is a phewhich is the country's big- nomenon that is vastly exceeding the most optimistic expectations of everyone involved," says a Londonbased broker. "Whether you call it 'popular capitalism' or 'democratic ownership', the government has a success on its hands."

> Conditions converging to make the EdP sell-off a record success include a sharp fall in interest rates, the buoyant growth of the Lisbon stock market, strong gains made by shares from previous IPOs, the country's reclassification as a developed market, and a big offering of a sound company at an attractive price. Interest rates on bank

deposits have fallen from more than 14 per cent in 1991 to about 4 per cent - less than the average dividend yield of 5 per cent forecast for EdP. On top of this, analysts expect EdP shares to perform solidly, with some forecasting a gain of between 10 per cent and 20 per cent in the first day of

The price range of Es1,750-



Es2,250 a share, at the lower end of expectations, has also helped lift demand, and val-Es1,050bn-Es1,305bn (\$6.1bn-\$7.9bn). The final price is to

be announced on June 16. EdP certainly looks to be an attractive investment. It operates Portugal's national power grid and accounts for 92 per cent of generating capacity and 97 per cent of distribution.

Its strong profit growth is mainly a result of a big drop in the cost of servicing its by Es9.5bn in 1996 to

growing demand for electricity, which is forecast to increase by 4.5 per cent a year to 2000. However, the unparalleled level of demand for EdP shares has placed the gov-

lthough authorised to sell up to 49 per cent, the government wants to limit the IPO to about 27.5 per cent of EdP's remainder in a secondary offering in 1999. By this time, the shares are forecast to have risen considerably.

Mr Antônio de Almeida,

EdP chairman, is known to favour limiting the size of the IPO to maximise revenue from the secondary offering. But the main centre-right opposition party, sensing Portugal's share-buying fever, is pressing for the pri-

vatisation of a larger stake

now and to enlarge the tranche for Portugal's small foreign institutions.

from financial investors but its into equity by investing also from Endesa, Iberdrola

nies - and possibly other European electricity groups. Global co-ordinators are ABN Amro Rothschild, Goldman Sachs and Banco Portu-

guês de Investimento A number of analysts expect the government to compromise by expanding the initial sell-off to a little more than 30 per cent of EdP's total capital of 600,000m shares.

One inevitable consequence is that a large number of small investors will be disappointed Bankers are forecasting most will receive only five to 10 shares for every 100 they order. This has led many to register for more than they intend or can afford to buy - but bank credit is readily available for purchasing EdP shares.

The unprecedented -demand is a sign of the growing maturity of Portuguese investors and their faith in the country's ecosavers - not initially expec- nomic stability," says one ted to exceed 50 per cent of Lisbon banker. "Because the offer - at the expense of interest rates have fallen to an all-time low - below Institutional demand those of the US or the UK -through a book-building pro- people are moving their cess is also strong, not only. savings out of banks depos-



HEADLINE EARNINGS UP BY 23 PER CENT

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Julian Ogilvie Thompson, Chairman

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Deed or the and Second Supplemental

Company of New York Dated 2nd June, 1997

 Headline earnings up by 23% to a record R5 015 million (2 144 cents per share) reflecting increased contributions from diamonds, international, gold and coal interests

Total dividend rises 23% to 700 cents per share

R4 521 million invested

Notice of dividend

Dividend No. 122 of 540 cents per share has been declared payable on Friday, 25 July 1997 to shareholders registered at the close of business on Friday, 20 June 1997. The register of members will he closed from Saturday, 21 June 1997 to Saturday, 28 June 1997 inclusive. The full conditions relating to the dividend may be inspected at the Johannesburg and London offices of the Corporation and at, the offices of its transfer secretaries

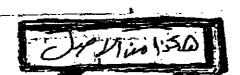
3 June 1997

Extracts from the audited results for the year ended 31 March 1997.

(R million - unless otherwise stated)		Year ended 31.3.97	Year ended 31.3.96	change
Net income before tenetion		11 098	7 761	43
Net income after taxation	-	9 277	6 139	51
Total net earnings		7 106	4 403	61
Headline earnings		5 015	4 077	23
Farnings per share – cents - total net earnings - headline earnings	, , , , , , , , , , , , , , , , , , ,	3 037 2 144	1 885 1 746	6) 23
Dividends per share – cents – interim – final		160 540	130 440	23 23
		As at 31.3.97	As at 31.3.96	•
Net cash resources at 31 March 1997		5 338	4 242	26
Net asset value per share' – cents		29 907	29 817	-

Anglo American Corporation

THE CUTTING EDGE OF THE NEW SOUTH AFRICA



Thai water utility set for \$50m IPO

By Ted Bardacke in Bangkok

Thailand is set to test the market for water privatisation in Asia this week as East Water, a government subsidiary in charge of water distribution, attempts to become the first private water provider in the

The company, which distributes water along the country's industrial eastern seaboard, is launching a public share offering worth at least \$50m.

The issue, underwritten internationally by ABN-Amro Rothschild and domestically by Tisco and

Dhana Siam, takes place amid international road show winds up try of Finance owns most of the tough market conditions. With the in London. tough market conditions. With the That market down more than 30 per cent this year, only two public offerings were made in the first quarter, compared with 18 in the same period last year.

But the company is seeking to buck that trend and play up its PWA, which retains responsibility uniqueness in Thailand, where it for distribution to retail customers. has a monopoly on wholesale water distribution. Underwriters are expecting a

price of between Bt25 and Bt30 a

Final pricing will take place next Thursday when the company's controls the water and the Minis-

East Water, owned by the government's Provincial Waterworks Authority, takes water from Thailand's Royal Irrigation Department and supplies it to private industrial estates, corporate clients and the

This reduces East Water's exposure to volatile public opinion over water rates, which has plagued water privatisations in other parts of the world.

But with few assets - the RID

implementing its \$50m expansion programme will depend largely on government policy towards the company remaining consistent. An interim committee on water allocation has recently been set up but it

Mr Wanchai Ghooprasert, President of East Water, said: "There is a real need for a regulator so that people will have their fair share of water at reasonable prices, but also to protect investors. But the Royal

is expected to take several years

before it becomes an independent

water to anyone else (except East Water) and the lease on the pipes is 30 years. So we have exclusive

rights. Negotiations with the RID on water supply will take place again in 2001. The company believes that by keeping representatives from all the main government agencies dealing with water on its board of directors - Mr Wanchai is also assistant governor of the PWA. which will remain the single largest shareholder in the company it will be immune to political

Assuming the burden of Japanese growth

The corporate sector saw big profit rises last year, but the advance was led by manufacturing

n the surface, the performance of Japa-nese corporations last year suggests that, for the country's leading companies, things are looking better than they have for years. Toyota to Sony, unveiled at manufacturing compa-

strong sales and profits nies, overall recurring profincreases, with many compa- its of 1,049 non-financial nies reporting figures companies listed on the first unseen since the bubble of the late 1980s, when surging Exchange have risen 15.7 per asset prices fuelled economic cent and net profits by 17.1 growth. Toyota saw a 14 per cent

rise in sales and a 50 per cent increase in net profits in the year to March. Its smaller rival, Honda, posted a 25 per cent jump in sales, which have long been trebled pre-tax profits and reported record net profits.

In the electronics sector, both Matsushita and Sony achieved record sales, and even integrated electronics companies - hit by the plunge in semiconductor prices - saw healthy advances. Fujitsu lifted sales 20 per cent, to a new record, while revenues at NEC grew

The relentless pursuit of Japan's leading manufacturleast in those industries sures of deregulation. where the country is competitive, the dark days following the collapse of Japanese

"The manufacturing sector has basically recovered from the bursting of the bubble," points out Mr Jason James, strategist at HSBC James Capel in Tokyo.

Supported by a 20.2 per The top names, from cent rise in recurring profits Sachs in Tokyo.

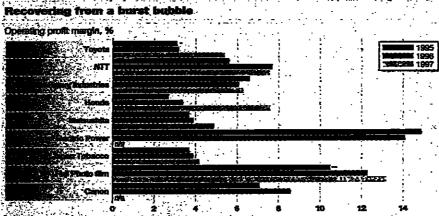
However, the contrast between the performance of manufacturers, most of exposed to global competition, and of non-manufacturers, which have been protected by regulation, was turers, which enjoyed a underlined by a fall in nonmanufacturers' profits of 3.5

While financial institutions are still suffering from the asset deflation that has rocked Japan in the past few years, domestically oriented companies in sectors from oil to retailing - sheltered excellence - the hallmark of from competition by government regulation - are faced ers - has ensured that at with the unprecedented pres-

The gap in performance suggests the country will the longer term. again have to rely on its

section of the Tokyo Stock per cent, according to a recent report by Goldman

per cent



support economic growth until other sectors emerge to assume part of the burden. Japanese vehicle manufac-

windfall from the decline in the ven against the dollar and a domestic retail boom ahead of an increase in consumption tax in April, contributed a full 40 per cent to overall profits growth, notes Ms Kathy Matsui, strategist at Goldman Sachs in Tokyo.

doubts as to whether Japan's manufacturers really have achieved the turnround needed to sustain growth in "The results were better

But there are serious

good sales growth on a consolidated basis, operating profit growth was not significantly higher," points out Mr James

ovota, for example, just managed to raise its operating profit ratio from 3.2 per cent to 5.4 per cent, while Hitachi's operating profit to sales ratio fell from 4.1 per cent to 3.5 per cent. Furthermore, while car

manufacturers have been impressive in cutting costs. such restructuring contributed Y110bn (\$944m) to the operating profits of Toyota. while the yen's weakness contributed Y240bn. Without asset prices are fading world-beating car makers than expected. But while the weaker yen, Matsush-

have been Y165bn lower

than reported. Given these factors, "the message of last year's results is that if anything, Japanese companies did not do very well considering how positive the environment was," Mr James says.

Moreover, the favourable environment is not expected to last. "The implication is that there is going to be quite a sharp slowdown in this fiscal year," he notes.

bracing themselves for a significant drop in domestic demand this year in reaction to the spring buying spree. In addition, capital investment by the telecommunications sector, which has been and electronics companies to they showed phenomenally ita's operating profits would a big contributor to overall

private capital spending, will slow this year at a time when public spending is being cut back, says Ms Matsui. While the telecoms industry is still expected to grow, fierce competition in the wake of deregulation

may undermine profitability. With the yen significantly below the level at which many Japanese exporters can turn a profit, there is also concern that many companies, having restructured their operations to beat the impact of a strong yen two to four years ago, are now

beginning to relax their grip. "Employment is picking up and growth in bonuses has picked up at a time when pension and welfare expenses are growing," Mr James says. "Wage costs are going to be a continuing problem."

The hope is that new engines of economic growth can emerge in time to ease the transition from an economy dependent on manufacturing industries to one that can count more on ser-

Without further restruct. Car manufacturers are uring in the meantime, however, the well-being of those companies that are still vital to Japan's economic health may remain at the mercy of forces largely beyond their

Michiyo Nakamoto

Hitachi, AlliedSignal develop new transformer

By Peter Marsh

The cost of electricity for industrial users could be cut by millions of dollars a year as a result of a new type of transformer being developed by Hitachi of Japan and AlliedSignal of the TIS

The two are collaborating on making industrial transformers which incorporate a novel energy-saving system that can cut electricity wastage in this type of device by 80 per cent, according to AlliedSignal.

The companies are partic-

INTEREST RATES BONDS

Financial CAD

ularly targeting their system bought by private businesses at manufacturers in Japan. where they estimate it could account for about one-quarter of the country's \$1bn a year business in industrial

Transformers are essential for changing high voltage current from mains networks to low voltage current that machines can use.

While electricity utilities use transformers in their own power systems, an estimated 1m transformers a year, worth some \$8bn, are cant energy savings.

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NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of Shareholders of Fidelity

Global Selection Fund Sicav (the "Company") will be held at the registered office of the Company in Luxembourg on June 13, 1997 at 11.00 a.m. to consider the following agenda:

6. To resolve to keep the records and books of the Company for a time of 5 years at the

registered office of the Company.

7. To note that proceeds which have not been distributed will be transferred to the Caisse

If you are not able to attend the above Extraordinary General Meeting, you are urged

to execute and return a proxy to the registered office of the Company prior to the date

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FORWARDS

of the meeting. Proxies can be obtained from the registered office of the Company.

To approve the report of the liquidator and of the auditor to the liquidation.

des Consignations to be held for the benefit of the persons entitled thereto.

3. To grant discharge to the liquidator and to the auditor to the liquidation.

4. To grant discharge to the Directors in office at the date of liquidation.

1. To hear the report of the auditor to the liquidation.

To resolve the close of the liquidation of the Company.

around the world for handling their own electricity

Transformers use twists of wire wound round metallic transformers within three "cores" to effect the voltage reduction. While most transformers use a standard core made of steel containing traces of silicon, the Hitachi/ AlliedSignal venture is based around a novel amorphous alloy developed by the US company, which it claims has much better electrical properties leading to signifi-

Most transformers lose 2-3 per cent of their energy in the core as the voltage is altered. However Allied-Signal says that its amorphous alloy core - based on a mixture of steel, boron and silicon, made using a process akin to glass manufacturing - can cut these losses to 1-2

per cent Hitachi, one of the world's biggest makers of transformers and related electrical systems, has started making the new devices at a plant in Nakajo City in Japan, using supplies of alloy made by

AlliedSignal in the US. Hitachi said that it was

planning a "strong relationship" with AlliedSignal over buying the material on a long-term basis. It has spent about Y10bn (\$86m) since 1991 on developing the new transformers, which are based on an earlier type of transformer using the new material and which has been used by some electricity utilities.

The new transformers will be 15-25 per cent more expensive than conventional systems based on steel with

added silicon, but according to the US company will pay for themselves in three years - roughly one-third of their average lifetime - before

being replaced. Other makers of transformers include ABB, the Swiss-Swedish group, General Electric of the US and Japan's Mitsubishi. Although they have yet to show firm interest in the AlliedSignal product, they may enter into agreements to buy the material from the US company if the promised

Cosco blossoms after reins are loosened

poratising" its state sector has achieved mixed results, but the rapid growth of Cosco, the national shipping line, demonstrates that once reins are loosened, state enterprises are capable of extraordinarily rapid growth.

Since a new corporate entity known as the China Ocean Shipping (Group) Company was established in 1993, Cosco has undergone extensive restructuring and has extended its tentacles into areas far removed from its core shipping business. Mr Zhou Qifang, Cosco's executive vice president. exuded confidence in a recent interview about the company's prospects, espe-cially in Hong Kong where the group, through Cosco Pacific, has become one of

the biggest among mainland-controlled listed companies the so-called "red chips". "We feel the environment in Hong Kong will become better for us after the July 1 handover," he says. "Hong Kong will retain not only its strong points from today, it will have stronger back-up

from the mainland." Mr Zhou spoke of a "con-vergence" between Cosco's Hong Kong and mainland interests. He expects t<u>h</u>e company to use Hong Kong as a springboard for increased involvement in mainland ventures, including ports and expressways, Cosco (Hong Kong) Group, Cosco's Hong Kong arm, recently established a strate-

gic alliance with Lai Sun

Development Co, a leading

Hong Kong property devel-

hina's policy of "cor- oper and owner of a string of from Chinese and foreign hotels, to focus on infra-

structure projects. The Lai Sun-Cosco joint venture, Cosco Lai Sun Infrastructure (China), will invest in toll roads, bridges and power plants. The new venture is studying a num-ber of projects, including the upgrading of a Cosco-owned power plant in Henan. While Hong Kong, where Cosco's interests include shipping, container terminal

We feel the environment in Hong Kong will become better for us after the

handover. Hong Kong will retain not only its strong points from today, it will have

stronger back-up from the mainland'

expanding internationally. Mr Gao Weijie, a Cosco vice president, said the company planned to invest \$4bn over the next five years, of which \$3.2bn will go towards upgrading its fleet. The remainder will be spent on the mainland in port development and other infrastruc-

operations, finance, insurance, tourism and trading, is by far its biggest stake outside the mainland - fixed assets in Hong Kong are now Yn50bn (\$6bn) - it is also

ture projects. Cosco will raise the funds

banks and will also draw on the resources of its Hong

Kong-listed companies The shipping line, which accounts for more than half China's shipping tonnage, has 600 ocean-going vessels, but many are out of date and unable to offer the economies of scale required in today's highly competitive market. They will be phased out as Cosco does not intend to increase actual numbers

of ships in service. Cosco plans to purchase 50-60 new vessels over the next five years, half of which will be built outside the country. New tonnage will include bulk carriers of about 170,000 tonnes and container ships capable of carrying up to 3,800 standard-size containers.

The shipping group has also embarked on plans to expand its activities abroad, where it has invested \$300m in establishing new transhipment and other facilities.

It is also seeking to expand its presence in the US, but has run into opposition from environmentalists opposed to its plans to build a container terminal at the former Long Beach naval station in California.

However, these obstacles are unlikely to deter Cosco, which is intent on forging a presence across the world with plans to add to its eight existing regional shipping management centres or branches in the US. Germany, Singapore, Japan. Hong Kong, Australia, South

Tony Walker

ASIA-PACIFIC NEWS DIGEST

State bodies told to help Alphatec

The Thai cabinet vesterday ordered three quasi-government financial institutions to submit plans to help Alphatec Group, the struggling electronics conglomerate, overcome its severe cash crunch. Krung Thai Bank, the Export-Import Bank and the Industrial Finance Corporation of Thailand were told to submit their

plans to a government committee within seven days. Alphatec Electronics, the flagship company of the group, which accounts for nearly 1 per cent of Thailand's exports, must refinance nearly \$80m in credits from international lenders before June 22, when a put option

on the company's eurobond comes due. The company has already missed a payment of more than \$30m to a syndicate of international banks, led by ING Bank, which has chosen not to call a default pending the outcome of a hoped-for restructuring of the group's

NCB proceeds with issue

Nippon Credit Bank said yesterday it would proceed with a recapitalisation plan to issue 766.04m new shares, worth Y167bn (\$1.43bn). The move follows Monday's decision by Nippon Life, Japan's largest life assurer, to provide Y28.5bn to support the troubled bank, which announced the plan at the height of its liquidity crisis two months ago. Nippon Life is expected to become NCB's largest shareholder after the new share issue, and its decision to help bail out the bank was seen as vital in convincing

other life assurers to follow suit. NCB, the smallest of Japan's three long-term credit banks, said its restructuring programme was designed to tackle massive non-performing loans which stood at Y1.261.8bn at the end of the business year to March 31. The new shares will be priced at Y218 each, based on NCB's average closing price on the Tokyo stock exchange of Y241.60 over the preceding five trading days.

Kobe Steel eyes telecoms

Kobe Steel, one of Japan's leading steel manufacturers, is joining with Global One, the telecoms joint venture between Deutsche Telekom, France Telecom and Sprint, of the US, to conduct trials on the feasibility of entering the international call market once deregulation takes effect next year. Together with Creative Links, a Japanes communication services company, Kobe Steel will conduct trials of international resale of leased lines in a project that could lead to the formation of a joint operating company with potential sales of Y1.5bn (\$13m), Kobe Steel said.

The deal comes ahead of deregulation of the international lease line market by Japan's telecoms ministry. Next spring, the ministry is expected to start allowing the connection of international leased lines to the public telephone network in Japan.

Michigo Nakamoto, Tokyo

Mitsubishi Aluminium venture

Mitsubishi Aluminium will form a joint venture with Thai Muang Thong Aluminium industry Co to produce 180 tonnes a month of aluminium extrusion products and heat exchanger components, a company executive said vesterday. Mr Peng Tuannawarat, Muang Thong's foreign department manager, said the joint venture deal would be signed on June 5. The joint venture, to be named Muang-Max, will make its products solely for car ector, he said.

Mitsubishi Aluminium will hold a 50 per cent stake in the project, Muang Thai Aluminium 34 per cent and

Mitsubishi Coro 16 per cent, Mr Peng said.

TENDER NOTICE UK GOVERNMENT ECU TREASURY BILLS

For tender on 10 June 1997

 The Bank of England announces the issue by Her Majesty's Treasury of ECU 1,000 million nominal of UK Government ECU Treasury Bills, for tender on a bid-yield basis on Tuesday, 10 June 1997. An additional ECU 50 million nominal of Bills will be allotted directly to the Bank of England for the account of the Exchange Equalisation Account.

2. The ECU 1,000 million of Bills to be issued by tender will be dated 12 June 1997 and will be in the following

ECU 200 million for maturity on 10 July 1997. ECU 500 million for maturity on 11 September 1997. ECU 300 million for maturity on 11 December 1997.

3. All tenders must be made on the printed application forms available on request from the Bank of England. Completed application forms must be lodged, by hand, at the Bank of England, Customer Settlement Services. Threadneedle Street, London not later than 10.30 a.m. London time, on Tuesday, 10 June 1997. Payment for Bills allotted will be due on Thursday, 12 June 1997.

 Each tender at each yield for each maturity must be made on a separate application form for a minimum of ECU 500,000 nominal. Tenders above this minimum must be in multiples of ECU 100,000 nominal.

5. Tenders must be made on a yield basis (calculated of the basis of the actual number of days to maturity and a year of 360 days) rounded to two decimal places. Each application form must state the maturity date of the Bills for which application is made, the yield bid and the amount tendered for.

6. Notification will be despatched on the day of the tender to applicants whose tenders have been accepted in whole to applicants whose tenders have been accepted in whole or in part. For applicants who have requested credit of Blis in global form to their account with ESO, Euroclear or CEDEL, Bills will be credited in the relevant systems against payment. For applicants who have requested definitive Bills, Bills will be available for collection at Customer Settlement Services, Bank of England after 1.30 p.m. on Thursday, 12 June 1997 provided cleared funds have been credited to the Bank of England's ECU Treasury Bills Account No. 59005516 with Lloyds Bank Plc, Bank Relations, St George's House, PO Box 787, 6-8 Eastcheap, London EC3M 1LL. Definitive Bills will be available in amounts of ECU 10,000, ECU 50,000, ECU 100,000. ECU 500,000, ECU 5,000,000 and ECU 10,000,000 nominal

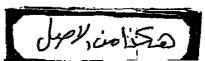
7. Her Majesty's Treasury reserves the right to reject any or part of any tender.

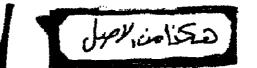
8. The arrangements for the tender are set out in more detail in the Information Memorandum on the UK Government ECU Treasury Bill programme issued by the Bank of England on behalf of Her Majesty's Treasury on 28 March 1989, and in supplements to the information Memorandum. All tenders will be subject to the provisions of the Information Memorandum (as supplemented) and to the provisions of this notice.

9. The ECU 50 million of Bills to be allotted directly to the Bank of England for the account of the Exchange Equalisation Account will be for maturity on 11 December 1997. These Bills may be made available through sale and repurchase transactions to the market makers listed in the Information Memorandum (as supplemented) in order to facilitate settlement.

10. Copies of the Information Memorandum (and supplements to it) may be obtained at the Bank of England. UK Government ECU Treasury Bills are issued under the Treasury Bills Act 1877, the National Loans Act 1988 and the Treasury Bills Regulations 1968 as amended.

Bank of England





COMPANIES AND FINANCE: THE AMERICAS

CNN, Oracle to offer news on internet Telmex gets

By Louise Kehoe in San Francisco

alised" news service on the puter industry.

their individual interests.

Black and Southam

when Mr Black's Hollinger

group bought control of Can-

ada's biggest newspaper

Mr Black, whose other

interests include the UK's

Telegraph group, the Chi-

cago Sun-Times and the

Jerusalem Post, described

'factional strife, impetuous

diversification initiatives.

rather mediocre editorial

products, and all the general

problems of the newspaper

Southam's 1996 annual

caustic exchanges between

Mr Black and a union repre-

sentative concerned that the

company's 32 newspapers

would become vehicles

for Mr Black's conservative

grudgingly acknowledged at

this year's annual meeting

in carly May that life under

Hollinger was not as bad as

feared - though he nonethe-

less complained that homo-

geneous right-of-centre

views had become the order

of the day in Southam

Southam's new proprietors

their purchase. Hollinger

recently offered to buy out

the 49.5 per cent it does not

own for cash and shares

worth C\$23.50 a share, or a

total of C\$923m (U\$\$710m).

chain last year.

industry'

dancies.

min q_a

www.with besin

Today's launch marks the leading news-gathering Cable News Network will organisations into personaltoday announce a joint ven- ised news. To date, most ture with Oracle, the data- such services are focused on base software company, to business news or more narcreate an advanced "person- rowly on news from the com-

Personalised news services The CNN service will be are designed to avoid the the most sophisticated of its problems of "information kind, providing users with overload" that many intertext, graphics and video net users suffer by filtering news reports according to news reports into special interest categories.

Southam.

the offer on June 18.

changed hands recently.

describes Hollinger's offer as

"light" to the tune of

between C\$1 and \$1.50 a

week that Hollinger might

be willing to improve the

without increasing the total

Southam was for many

years controlled by one of

Toronto's blue-blooded busi-

ness families. It went

its first toehold by buying

By common consent, the

Torstar's stake in 1992.

views, and victims of share. Mr Black said last cost-cutting and mass redunweek that Hollinger might

The same union official cash component of its offer

amount.

Most existing services CNN journalists every day. entry of one of the world's select articles of interest systems, which are prone to error.

It is difficult, for example, to distinguish between articles about soccer and different sport in some parts of the world.

The Oracle technology, in contrast, uses linguistic analysis to identify themes and topics among the hundreds of news stories filed by

ensure that every relevant article is found.

A similar approach is used by Individual, one of the curfootball, since "football" is a rent leaders in internet customised news services, which focuses primarily on business news.

The CNN service is distinmagnitude of its news sumers and will include sources, as well as by its world news, sports and internet service.

ability to deliver news to the weather as well as business "Intelligent agents" search desktop, said Ms Beatriz news. Users will, for examusing key-word search for news using over 200,000 Infante, Oracle senior vice- ple, be able to obtain "concepts" or topics to president of internet and media products.

> Details of users' news prefcentral servers, rather than will be able to access their personalised news services in a particular topic. from any computer.

guished by the breadth and vice will be aimed at con- share in the advertising rev-

weather reports from more than 3,600 cities.

Personalised news services erences will be stored on are attractive to a advertisers, because they can direct on individuals' PCs, so users advertisements to people who have expressed interest

As part of the CNN-Oracle The CNN interactive ser- joint venture, Oracle will enues raised by the CNN

lion's share of long-distance

By Daniel Dombey in Mexico City

Telmex, Mexico's former state telecommunications company, has won the majority share of the country's newly liberalised long-distance services, but lost its claim for full reimbursement of its infrastructure investment that made competition possible.

In an unusual exercise in economic democracy, telephone users in 26 cities voted for their favourite long-distance carrier. Telmex was voted favourite by 53 per cent of the 1.6m users who expressed a preference in Mexico City, by far the most important telecommunications market in the country.

It was followed by 25.6 per cent for Alestra, a joint venture between AT&T, Alfa and Bancomer, and 21 per cent for Avantel, which brings together MCI and Banamex, Mexico's largest bank. The remaining four competitors won less than 1 per cent of the vote.

expressed a preference, the other 40 per cent of users will remain with Telmex, giving the group a 70 per cent market share measured by lines, according to Ms Sari Mayer, an analyst at Salomon Brothers in New York.

Alestra claims it is ahead in the national race among the new operators, having won 830,000 of the 5.5m lines opened to competition so far. Avantel, which has been plagued by arguments with Telmex over the supply of equipment, is third. Another 900,000 lines in 34 cities will be opened to competition later this year.

However, Mexico's Federal Telecommunications Commission ruled long-distance licence holders must pay \$423m to Tehnex over the next seven years, to refund its investment in the long-distance network.

Telmex had claimed more than \$550m, but the commission said \$200m of that had been carried out for its own

High-tech stocks under pressure

By Louise Kehoe

Intel's share price continued to fall yesterday in the wake of the semiconductor industry leader's warning last week that revenues and profits would not meet Wall Street expectations in the

current quarter. At a meeting with financial analysts in New York yesterday, Mr Andrew Grove, Intel chairman and chief executive said the company was going through a "monumental" transition to a new generation of microprocessor chips. By the fourth quarter, 90 per cent of Intel's microprocessor reve-

products launched this year. Mr Grove said he could add nothing to the profit warning issued on Friday, but remained "extremely bullish" on the personal computer industry.

Intel was trading at \$146%

early yesterday, down \$3% from Monday's close. On Monday, Intel dropped \$4%. Profit warnings late on Monday from Seagate Technology, the manufacturer of PC disk drives, and from Cabletron, a computer networking equipment maker. added pressure to high tech-

nology stocks. Seagate fell \$31/4 to \$391/4, while Cabletron lost almost Bernard Simon | nues would come from new one-third, down \$15 at \$30%.



Conrad Black's reputation precedes him, but fears have been unfounded

fresh air. The publishers (chief executives) and editors of its flagship newspapers - which include the Montreal Gazette, the Ottawa Citizen and the Vancouver Sun - ran mini-fiefdoms with little control from head office. Labour relations.

control in 1993. According to

one analyst, Southam then

through a turbulent period especially in Vancouver, were dismal. Heavy capital in the late 1980s and early losses in 1991 and 1992 from 1990s, when the board thwarted potential predators the disposal of non-newspaper businesses wiped out by exchanging large reciproalso appear satisfied with cal shareholdings with Torretained earnings. star, publisher of the Hollinger and Power Cor-Toronto Star, Canada's bigporation, the Montreal-based gest daily. Hollinger gained conglomerate, gained joint

chain badly needed some direction, although the chief executive and chief changes "weren't aggressive or quick enough".

> The pace has accelerated markedly since Mr Black took the helm in early 1996. Mr Dan Colson, the Telegraph's chief executive who devotes a growing part of his time to Southam, says: "We've started to deal with some of most if not all of them right." Many of the lessons Mr Colson has learned over the past decade in London

are likely to be applied in Virtually the entire Soubegan moving in the right tham board, as well as the Lapointe, editor of The Spec-

financial officer, have left over the past year. Publishers and editors of several papers have been replaced.

The papers themselves have also undergone radical changes. The Ottawa Citizen and Montreal Gazette, both with new editors, have been redesigned. The Citizen is virtually a new paper, with of The Guardian, a small longer, more serious stories, the problems, and we'll get and greater emphasis on Prince Edward Island, and national and international news and analysis.

Smaller papers have put stronger emphasis on local coverage. "We have to be very, very strong in our communities," says Mr Kirk

has been "nothing but positive. It's been pretty much [a case of running your own

more than doubled to

C\$33.8m. Advertising reve-

nues grew 6.8 per cent and

circulation revenues were 2.3

per cent higher on a same-

paper basis. One analyst

notes, however, that much of

the improvement was due to

Southam has also begun to

spread its wings, buying

Mr Don Brander, publisher

more than a dozen papers

daily in Charlottetown.

one of last year's acquisi-tions, says his experience

since Mr Black took over.

lower newsprint prices.

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滋 SBC Warburg

SBC Warbura Inc. A Subsidiary of Swiss Bank Corporation By Richard Tomkins in New York

Hilton Hotels, waging a \$6.5bn hostile bid battle for the rival ITT hotel and casino group, yesterday showed signs of losing interest in the fight after it emerged that ITT was entertaining offers for some of its prime hotels.

"It's just another sign of an entrenched management that is willing to destroy assets and destroy shareholder value in order to keep their jobs," Hilton said of the

portfolio of owned hotel assets, so to the extent that they destroy those assets, it does dampen our interest proportionately."

ITT, which has realised nearly \$2bn over the last few months by selling non-core assets, is understood to have received offers for some of its most luxurious hotel properties, including the St Regis in New York and the Phoenician resort in Scottsdale, Arizona, Last month, ITT sold five ITT were taken over - so

"We went into this primar-ily because there's a good Hotels for \$200m, agreeing to bid. "We are going to have manage them under contract. instead

> It said it wanted to concentrate its resources on its prime hotels in destination cities - the hotels that Hilton wants.

ITT is now considering a

deal under which it would sell some of these prime hotels but continue to manage them under contracts with their new owners. The management con-

relatively minor hotels in creating a form of "poison in any case, so ITT was one at \$28%.

tant if one or two fewer are

wholly owned.

We are going to have to ITT says only 55 of the 425 see what the company looks properties in the ITT Sheralike at the end of the day and that obviously has an ton chain are wholly owned. with another 28 held by joint impact on the price we are willing to pay. So to the ventures and the rest either managed under contract or extent that they are destroy franchised: so it is unimporing value in their company,

that is a major disservice to

their shareholders." Hilton

the challenge upon itself

by failing to respond quickly

to a surge in natural gas supply.

The company was reluc-

long-term project in an era

of short-term contracts, giv-

gardly, a little too cautious,"

became the first private con-

cern to win a natural gas

pipeline contract in newly-

jects in Indonesia, Tanzania

and Thailand, though Mr

Watson sees the largest

notential in Colombia,

Mexico, Peru and Venezuela,

where recent regulatory

reforms have opened their

energy sectors to interna-

for TransCanada, but man-

agement has learnt that

arriving first to establish

long-standing relationships

is key to doing business in

agree that Mr Watson learns

And company watchers

developing countries.

his lessons well.

Global expansion has been

times a trying experience

tional investment.

TransCanada also has pro-

deregulated Mexico.

Mr Watson acknowledges.

Hilton said yesterday its ITT's shares were down aim in trying to acquire ITT had been to achieve "a cou-\$% at \$59% in early New ple of very big steps along York trading yesterday, nar-the road" towards its growth rowing the premium to Hilton's \$55-a-share offer price. "It's a road we will travel Hilton's were unchanged

tracts would become void if objectives.

US care groups in \$400m merger

By Tracy Corrigan

Humana, the US managed care provider, has agreed to buy Physician Corporation of America (PCA) in a deal valued at about \$400m. As part of the cash offer of \$7 per share, Humana will take on \$130m in debt.

Kentucky-based Humana said it would have about 6m members and annual premiums of \$8bn after the merger, making it one of the largest managed-healthcare companies in the US.

PCA provides healthcare services through health maintenance organisations in Florida, Texas and Puerto Rico, and has 1.15m members, including company and individual beneficiaries.

The acquisition will also tant to commit itself to a bring Humana almost 600,000 Medicaid members. whose healthcare costs are paid under government ing Alliance the opening it needed to proceed with its programmes.

Humana believes that "It We've been a little lagwill now be well positioned in the Medicaid market as federal and state governments continue to turn to e is determined to the private sector to avoid the same mis-takes overseas. Earimprove the quality and efficiency of government-funded medical prolier this year the company grammes.

> "This acquisition represents a compelling strategic opportunity that strengthens our competitive position in Florida and Texas, with all of the critical mass and purchasing power that is absolutely crucial for long-term leadership to our industry," said Mr David Jones, Humana chairman and chief executive officer.

In connection with the merger, PCA said it would purchase a reinsurance policy to cover the financial difficulties of PCA Property & Casualty Insurance Company, its workers' compensation subsidiary, and would record a \$4m charge to reflect a deposit.

Humana shares rose \$% to \$24, after the announcement, while PCA jumped \$% AMERICAS NEWS DIGEST

Antioco hired by Blockbuster

Viacom has hired Mr John Antioco, a seasoned convenience store and fast food restaurant executive, to restore the fortunes of its troubled Blockbuster video and music stores. He succeeds Mr Bill Fields, former head of stores operations for Wal-Mart, the world's biggest mass-market retailer, who left Viacom last month after a year on the job, accompanied by a warning of a sharp ecline in Blockbuster's cash flow.

Mr Antioco, 47, is credited with leading the Circle K chain out of Chapter 11 protection from bankruptcy, and was hired last October by PepsiCo to perk up the lacklustre performance of its Taco Bell group of Mexican fast food outlets. He leaves PepsiCo during a deep-seated restructuring which includes a plan to spin off fast food operations Taco Bell. Pizza Hut and the KFC fried chicker brand into a separate company.

Mr Antioco joins Blockbuster at a time when the US video rental market is showing signs of recovery. According to a fresh study, the weakness in the first quarter stemmed from a lack of releases of popular films for home video viewing. Alexander & Associates, the research firm, said first-quarter introductions this year included only eight films that had grossed more than \$30m at the US box office, compared with 17 in the comparable equivalent period of 1996.

Christopher Parkes, Los Angeles

Varutte

Bristol-Myers buys rights

Bristol-Myers Squibb, the US healthcare company, has acquired worldwide development and marketing rights for two protease inhibitor compounds being developed to treat HIV and Aids, from Novartis for an undisclosed sum. The treatment of HIV and Aids with nucleoside analogues - such as Bristol-Myers' Zerit and Videx been found to have greater efficacy when used in conjunction with protesse inhibitors. Four such treatments, including Abbott's Norvir and Merck's Crixivan, are already on the market.

One of the two compounds acquired from Novartis is in clinical trials and the other is still in the early stages of Tracy Corrigan, New York preclinical development.

Messer expands in Venezuela

Hoschst, the German chemicals and pharmaceuticals company, plans to expand its industrial gas and welding supplies operations in Venezuela through Messer, its Venezuelan subsidiary. Messer, which has been operating in Venezuela for 25 years and leads the welding supplies market, will invest \$132m over the next two to three years to expand its distribution network, and set up a greenfield hydrogen and ASU plant, and a 200-tonne carbonic gas plant to supply the food, chemical, and petrochemical

Messer recently acquired Gases Mérida, a gas separation plant in western Venezuela, for an estimated \$2m-\$3m. Mr José Luis Padrón, president of Messer Gases de Venezuela, said the company was also interested in acquiring the gas plants of Siderurigcadel Orinoco (Sidor), a steel company which is part of CVG, the state-owned industrial complex slated for privatisation later this year. Messer has been negotiating with several of the 11 consortia that have pre-qualified to bid for Sidor.

The Venezuelan expansion plan is part of Messer's broader strategy of increasing its operations in Latin America through a \$500m investment package. Raymond Colitt. Vene

Innovative plans in the pipeline

TransCanada's chief executive is credited with introducing long-term vision

₹rom his office high above the streets of downtown Calgary, Mr George Watson can see far into the distance.

It is an appropriate setting for the chief executive officer of TransCanada Pipe-Lines, whose long-term vision has transformed the once-staid utilities company into a diverse and expansive integrated energy company. Mr Watson, sharp, ener-

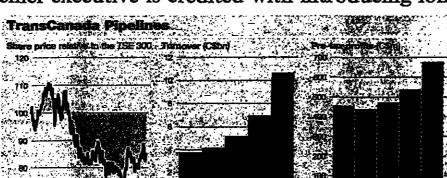
getic and personable, has led the company into nonregulated businesses by processing and marketing energy, a move that comple ments its core natural gas transportation operations. TransCanada is looking

closely at natural gas-fired fuel cells, cutting-edge technology that could reshape plants already in operation. Mr Watson plans to build many more small plants along its pipeline network.

Analysts give him top TransCanada, which last year reported after-tax profits of C\$425m (US\$327m) on assets of C\$12.6bn. CEO 1996. since 1994, Mr Watson has international arena and brought to it an aggressive. entrepreneurial spirit which is slowly filtering through the ranks.

For the Board of Directors

Jacques Hennessy Chairman



small natural gas marketing companies that instantly brought qualified, marketoriented personnel to the

The toughest thing to do the auto industry. And with is change the culture. To four electrical generating have the vision is one thing, to enact it is difficult." Mr Watson says.
Diversification appears to

be paying off. The company is forecasting net profits marks for transforming from energy marketing operations will jump to about C\$40m this year, up more than 40 per cent over

Similarly, TransCanada's moved the company into the natural gas processing and power generation division should net C\$75m in profits this year, an 80 per cent increase compared with last year. International operations are expected this year pany's acquisition of several to return a small net profit, mainline, stretching from TransCanada which brought

TEG^W

the first registered by the division.

93 94 95 96

But TransCanada remains primarily a pipeline company, with transmission profits expected once again to top C\$300m this year. And its the pipeline division that must contend with the largest competitive challenge facing the company, the Alli-

lliance, a limited partnership among 17 companies, primarily oil and gas producers, has proposed a C\$3.7bn natural gas pipeline from British Columbia to Chicago.

That will put Alliance in announced a two-stage project to add an equal amount of capacity to its Canadian

Alberta to north-eastern US markets. Industry insiders and analysts agree there isn't enough demand to build two pipelines.

TransCanada has secured commitments from suppliers that enable it to proceed with the first expansion phase, but it is not clear the company has sufficient support for the second stage, slated for completion

Alliance, on the other hand, has so far secured 15year contracts to transport an amount equal to about 80 per cent of its pipeline's Short-term overcapacity is

direct competition with a potential problem should TransCanada, which has the two projects go ahead, but it is not clear who will blink first.

Analysts point out it was

Scott Morrison to 6%.

Banque et Caisse d'Epargne de l'Etat, Luxembourg

USD 19,000,000

Floating/Fixed Rate Notes due 6th June, Notice of Early Redemption

As Issuer, Bonque et Caisse d'Epargne de l'État hereby gives notice to the holders of the above mentioned Notes that in accordance with the Condition 20 of the Notes, the Issuer will redeem all of the Notes than outstanding on 6th June 1997. The Notes will be redeemed at the outstanding Nominal Amount in accordance with the terms and conditions set out in the pricing supplement.

Notes and matured Coupons will become void unless presented for payment in the case of Notes, within a period of ten years from the kedemption Date, and, in the case of matures Coupons, within a pariod of five years from the first due date of payment thereof.

Paying Agents: Morgan Guaranty Trust Company of New York Brussels Office

nts: Bonque et Caisse d'Eporgne de l'Etai

Phyments of principal will be made on ar other the Redemption Date at the specified office of any of the Poying Agents listed below against surrender of the Notes together with all unmedured Coupons, Coupon No! maturing on the 6th June 1997 should be presented for payment in the usual manner in respect of the interest payment due on that day but otherwise interest will coate to occure on the Notes form the Redemption Date. Unmedured Coupons shall become void and no payment shall be made in respect thereof.

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1, place de Metz L-2954 Luxembourg

CREDIT RATINGS INTERNATIONAL

For more information please contact Miss Holens Kyriakides
TEGE SA Registered Offices: do Notary Pascal Pilist, Rue du Théâtre 3,
1820 Montreux, Switzerfact
Tel: +41 21 943 47 71 Fac: +41 21 943 42 44

TEGE SA NOTICE

Shareholders are invited to attend the

ANNUAL GENERAL MEETING

of TEGE SA

to be held on Friday, 20 June 1997 at 10,00 am at the erence Centre, Hotel Royal Plaza Intercontin Grand Rue 97, 1820 Montreux, Switzerland

The Annual Report, Auditors' Report and Annual Group Accounts will be available to shereholders from the TEGE SA offices, Switzerland from

28 May 1997. A copy of these reports will be sent to shareholders, free of

Entry to the Annual General Meeting will be permitted only on presentation of share certificates or a bank confirmation stating the number of shares held. Alternatively, a confirmation may be sent in advance to the TEGE offices, to arrive no later than Friday, 13 June 1997, in order that Admission Certificates may be deepatched to shareholders

certificates and ballot papers will be distributed during this period. The doors of the Conference Centre will close punctually at 10.00 am. Shareholders are invited to join us for cocktells and canapes after th

The reception area will be open from 09.30 am to 09.55 am. Ac

A unique quarterly source of reference from FT Financial Publishing, essential to all players in the international credit markets — borrowers, investors and intermediaries alike.

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Next payment date: September 01, 1997
Coupon m: 13
Amount;

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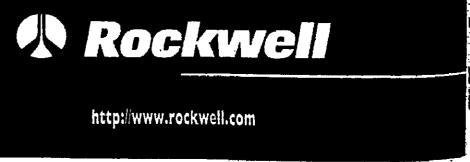
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Amstrad planning to break itself up

By Clay Harris

whose marketing skills dom- seek its own listing. inated UK consumer elec-

Mr Alan Sugar, Amstrad's founder and chairman, will in Betacom, the quoted con- from "racked tower" music

trad's personal computer dishes. It pioneered market- consumer electronics busi-Amstrad, the company sales subsidiary, which will procurement from Asia.

tronics in the 1980s, plans to latest stage in the tumul- keep ahead of much larger break itself up. It will return tuous 29-year history of companies. Mr Sugar £200m (\$326m) in cash to Amstrad, the company more recruited, but then lost, a investors and give them responsible than any other number of key executives. A shares in two separate com- in bringing computers into proposed takeover by Psion. British homes.

In its heyday, moreover, Amstrad caught - and creraise at least £55m from the ated - successive waves of break-up and retain stakes consumer electronic fads, sumer electronics group, and systems to citizen band

manufacturing and direct led design and cost-efficient ness, whose brand names

But Amstrad was not The break-up marks the always nimble enough to the electronic personal organiser group, foundered

last summer. Mr Sugar will remain chairman of Betacom, of which Amstrad owns 70 per cent. It recently bought the in Viglen Technology. Ams- radios to satellite television rump of Amstrad's original

also include Sinclair and Fidelity. Mr Sugar compared Betacom yesterday to Amstrad at a very early stage.

His role at Viglen will be less active, as a non-executive director. Mr Sugar noted that Viglen had been independently managed since Amstrad bought it in 1994. Amstrad shares closed

value the complex demerger package. For each share in Ams- 29.9 per cent, at the expense

some uncertainty of how to

in Betacom.

Mr Sugar owning 24.5 per cent of Betacom and 35 per cent of Viglen. His intentions concerning the holdings will be announced later this week. Any change is 13%p higher at 277p, among likely to follow the pattern of his management roles, increasing his stake in Betacom, up to a maximum of their potential value range

trad, investors will receive of his Viglen holding. Shareone share in Viglen, which is holders will receive loan expected to be listed in notes worth 163p per share, August, and a pro rata distri- exchangeable for cash from bution of Amstrad's shares next March. This portion alone is worth more than Mr The formula would leave Sugar's offer to take the company private, which was rejected by shareholders in

لفيكامن بلمبل

December 1992. Investors will also get "litigation vouchers", novel instruments entitling them to share in any awards arising from law suits against two suppliers. Estimates of up to 110p per share.

LEX COMMENT

Amstrad has been through multiple gyrations over the past five years; now it is almost back where it began. A mobile communications business, Dancall, has been bought and sold; a computer business, Viglen, has been acquired and is being demerged; and the consumer electronics business, Amstrad's old core now sub-

sumed within Betacom, is still struggling. Shareholders who rejected Mr Alan Sugar's bid to take the company private at the end of 1992 have seen their

investment outperform modestly, but this is largely due to the fact that Amstrad's legal actions against US computer disc suppliers are bearing fruit.

Amstrad's break-up plan is logical enough and should deliver shareholders further returns. The current share price of 276p is near the bottom end of the valuation range for Amstrad's package of goodies. The value of two elements of the package are clear: the 163p in cash for each Amstrad share; and Betacom shares with a market value of 24p. The value of the other elements is less certain. Viglen's revenues may be growing rapidly but, with its margins under pressure, the profits outlook is fairly flat. Valued on a conservative 10 times historic earnings, it would be worth 60p for each Amstrad share; an optimistic multiple of 15 would give 90p. Litigation could bring in anything between nothing and 115p after-tax. Such calculations produce a valuation of 247p-392p for the total package, with the best bet probably in the

Dairy Crest hits out at Milk Marque

programme (All Control of the Contro

- e e -

Francis Land

100 Page 1

Mark at

THE PARTY OF

Myers burn tight

Dairy Crest, one of the UK's three largest milk buyers, has sharply criticised Milk Marque, the sellers' co-operative, for seeking to process its surplus milk into butter and skimmed milk powder.

The company, which yesterday unveiled a 13 per cent rise in pre-tax profits after exceptionals in its first fullyear results since flotation. said Milk Marque's processing tenders raised competition issues and it should instead cut prices.

Mr Mike Dowdall, chairman, said: "They're looking at every way they can find to prop themselves up, other than by clearing the market by means of price. They're talking about using some of the best milk in England and Wales to make bog standard ingredients with no added

Milk Marque, a farmers' co-operative controlling about 55 per cent of milk supplies in England and Wales, last month invited dairy companies to tender to process 900,000 litres of milk a day during the summer. The surplus arose after it sold only 75 per cent of the mulk on offer from April 1. The Dairy Industry Federation, representing proces-

Office of Fair Trading, saying Milk Marque's move is a distortion of the market.

Dairy Crest's pre-tax profits to the end of March rose to a pro forma £35.5m (\$57.9m) against a similarly adjusted £31.5m, after a £900,000 exceptional charge for flotation costs. Sales from continuing operations rose 3.7 per cent to £766.9m.

Strong growth in mature and farmhouse cheddar cheese sales fuelled a 41 per cent rise in consumer foods operating profits to £26.7m, including a full year from the Mendip cheese acquisition, said Mr John Houliston, chief executive.

But ingredients suffered a £4m loss - £1m more than expected - because of adverse foreign exchange movements, which depressed butter and powder prices. Doorstep milk sales fell 12

per cent, but selective price rises and cost savings pushed up profitability. Supermarket milk sales, growing at only 7 per cent against 13 per cent previously, also increased profits despite fierce competition. A final dividend of 6.64p, makes a notional total of 9.9p (9.1p), payable from nor-

malised earnings of 22.4p

Chris Gent: the group had achieved good subscriber growth in the US **US** growth at Vodafone

By Alan Cane The international operations of Vodafone, the UK's largest mobile phone operator, UK." moved into the black for the

first time last year, contributing £10.5m to record profits of £539m (\$878m). After allowing for profits of £26m on the disposal of fixed assets, the results were in line with market expecta-

firm at 271½p. Mr Chris Gent, chief executive, said the group had achieved good subscriber growth in the US and extended its lead in digital services. "We sustained our leadership as the best qualachieved an operating profit and customer growth overseas exceeded that in the

Profits before tax came in 13 per cent ahead at £539m (£474m), while revenues moved ahead 25 per cent to £1.75m (£1.4m). The group now has over

4m customers worldwide, analogue networks. double the number from a tions and the shares beld year ago. Mr Gent said the group was no longer seeking new licences overseas but looking forward to strong profits growth from its exist- tribution business and ing spread of investments.

The group holds a 16.1 per operator SFR with an option. time our international up, to increase its sharehold- analogue networks.

operations, taken as a whole, ing by the end of the year. In Germany, however, despite strong market growth, the performance of B-Plus Mobilfunk was disappointing. Start-up losses are

expected to continue into

Vodafone now has more subscribers on its digital network in the UK than on

Mr Gent said be expected a modest decline in operating margins in the UK as a result of an increased presence in the lower margin dis-

increased competition. Average revenue per cuscent stake in the French tomer for the year was £427 - £558 for digital subscribers ity network. For the first which is likely to be taken and £353 for customers on

MEPC to invest £470m

MEPC, the UK's third largest property company, plans to invest £470m (\$766m) in property over the next four years, including £164m in the second half of this year.

The majority of the investment would be in the buoyant UK market, it said yesterday, as it announced interim results showing a near 5 per cent rise in pretax profits, before exceptionals and gains on disposals. to £64.9m.

It aims to increase the share of retail and leisure in its £3.3bn portfolio from about 43 per cent to closer to 50 per cent, and that of industrial property from about 11 per cent to up to 20 per cent. This would be at the expense of office property which, at present, is the

The move is part of a lengthy refocusing of the group, which received a perger approach from Hammerson, its smaller rival,

earlier this year. The £64.9m profit figure was struck before a £73.2m charge related to the cancellation of sterling fixed interest rate swaps in April, and before net gains on disposals of £10.8m (£5.1m). MEPC made disposals of £119m and acquisitions of £61m in

Philippine Gold to list in Toronto

By Kenneth Gooding, Mining Correspondent

At a stormy annual meeting yesterday, shareholders in Philippine Gold, at present quoted on London's Alternative Investment Market, were told that it hopes to be listed on the Toronto stock exchange during October in order to improve its rating with investors.

Mr Michael Werner, the new chief executive, also revealed that at the time of the Toronto listing the com- PG's "world-class assets" pany would raise another \$30m (£18.4m) in new equity. The board was heavily criticised by one substantial shareholder for letting mar-

those of comparable companies. Mr Werner previously had pointed out that PG was trading at the equivalent of \$8.54 per ounce of gold resources compared with \$85 for similar companies.

Mr Blake Joyner, managing director of the Chicagobased Solonian Fund, said the 75 per cent drop in PG's share price in the past year meant the value of his investors' holdings had fallen by \$1m. The board had not done nearly enough to promote and to ensure there was a liquid market in its shares. Mr Werner said that most

of the board members would be changed at the time of the the six months to March 31. ket rating fall far behind Toronto listing.



Y ou'd be surprised what we get up to at the Barbican. Only last month, the Godfather of world music seduced a packed hall with his First Sitar concerto. The night proved once again that the LSO has few inhibitions. We often introduce an unusual note into our repertoire. Next month for instance, we'll be playing a piece written 20 years ago for Broadway but never performed in concert. If we're broad-minded about what we do, we're equally enlightened about where we do it. we've performed in venues ranging from Liverpool Street Station to the Alhambra Gardens, Granada. Of course we wouldn't get far without our sponsors, which is where you might like to come in. Talk to Moira Bennett on 0171 588 1116. Whatever part you play, we're sure the audience will get quite carried away.

Ravi Shankar said Playing the Sitar is like making love. In that case, mere just staged an orgy.

AVIONE

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NOTICE TO BONDHOLDERS

U-Ming Marine Transport Corporation (Incorporated with limited liability in Taiwan, The Republic of China)

US\$ 90,000,000 1.5% Bonds due 2001 Adjustment of Conversion Price

NOTICE IS HEREBY GIVEN that as a result of the distribution of 29,735,811 common shares of U-Ming Marine Transport Corporation (the "Company") in the form of Stock Dividends for the year 1996, the conversion price of the Convertible Bonds will be adjusted, in accordance with Section 6.2 of the Indenture dated February 7, 1994, from NT \$29 to NT \$28 with effect from June 21, 1997, the ex-dividend record date. Pursuant to 6(A)(i) of the Tarns and Conditions of the Offering Circular, the Conversion Right shall be suspended from June 17 to June 21, 1997.

June 4, 1997

COMPAÑÍA GENERAL DE COMBUSTIBLES S.A. TJ.S.\$50.000.000

NOTICE IS HEREBY CIVEN that the proposed Ordinary Ba perspaper on 24th, 25th, 28th to 30th April was duly passed at

SGA SOCIETE GENERALE ACCEPTANCE N.V. FRF 500 000 000 REVERSE FLOATING RATE NOTES DUE_JUNE 2003 ISIN CODE: XS0043249860

ISIN CODE: XS8043248960
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COMPANIES AND FINANCE: UK

Racal makes a further profit warning

By Christopher Price

Racal Electronics yesterday issued its third profits warning in six months, announced 1,000 job losses and appointed advisers to help it

decide its long-term future. The hiring of the specialists, who will advise on the future of the data products business and the telecoms network services, prompted renewed speculation among analysts that Racal would be provisions at Racal's loss-tive, said 1997-98 pre-tax the subject of Racal's last broken up. Sir Ernest Harmaking data products busi-profits would beat this year's profits warning in April, has

sale sign over the group. The best way to improve shareholder value is to grow the business and that's what we intend to do," he said.

as the defence and electron- reorganisation costs this ics group unveiled a 43 per cent fall in pre-tax profits from £70.4m to £40.4m (\$65.9m) in the year to March 31. The figures reflect hefty

per cent to £78.9m on sales 14 per cent higher at £1.14bn.

The job losses would come from across the group's busi-nesses and its 15,000-strong The announcements came workforce. Redundancy and year would amount to about £14m, which would adversely affect first half profitability. However, Mr buy-out, flotation on Nasdaq, David Elsbury, chief execu- or an alliance. The division.

rison, chairman, denied this. ness. Operating profits from £40.4m. Analysts forecasts introduced new products in sources of capital, Partner-"We are not hoisting a for continuing operations rose 6 are bunched around £45m. an attempt to improve mar-Sir Ernest, 70, said Racal is examining a variety of options for its three core

> Attention to the Floridahased Data products, which lost £19.1m during the year, remains a priority. Options here include a management

an attempt to improve mar-gins. Sir Ernest, insisted continue to be sought in the that he would "be at the helm of Racal to see this job businesses, which also through". But I hope it is include defence electronics, done quickly because I would like an early retire-

> partner for its telecoms ser- next 18 months. vices division, arguing that a tie-up with a global company in this sector would give it access to lucrative interna-

De La Rue

shares fall 13%

to five year low

group's defence electronics business. Poor trading in the radio business, which prompted December's warning, was continuing with the group warning of rationalis-Racal is also seeking a ation of the division over the

A review of Racal's other businesses, including its energy division, was also being undertaken with a tional traffic, as well as fresh view to investment or sale.

National Grid policy change

By Simon Holberton

National Grid, the electricity transmission company for England and Wales, yesterday signalled its determination to hold on to Energis, its telecommunications company, which it previously said it planned to sell. Mr David Jones, group

chief executive, confirming the change in policy, said Energis had successfully developed in the past year through a series of commercial business arrangements with other telecommunications companies. "The value in the business is clearly increasing," he said. "That will continue with the com-

RESULTS

Apolio Metals Belhaven Brewery .

Racal Electronics



David Jones: determined to hold on to Energis

— 6 mits to Mer 31 35.6 (36.5) 1.91 — Yr to Mer 30 33.3 (29.6) 3.92 — 10 mits to Mer 31 ☆ 37.6 (44.3) 0.451.4 — Yr to Mer 31 7.66 (4.99) 1.97 — Yr to Mer 31 767 (740) 35.54 — Yr to Mer 31 768.2 (763.8) 105.94 — 6 mits to Mer 31 12.3 (12.2) 2.44

6 mins to Mar 31 20.5 — Yr to Dec 31 ♦ -

Yr to Feb 28 16.8 6 mths to Mar 31 192‡ — Yr to Mar 31 300

Yr to Mar 31 1,185 nths to Feb 28 21 nths to Mar 31 14.7

__ 6 mths to Mar 31

well Global Smr ____ Yr to Jan 31 ♦ 109.4 (107.52)

(12.2) (25.6)

(-) (26.1) (193‡)

(210) (1,487) (1,059) (17.2) (22.6)

MAY (p)

1.61 2.54 16.2 591 40.44 2.26 11.81.4 539

0.034

0.088 (0.221) 6.42 (5.47)

Mr Jones would not rule out Energis entering into a partnership with another company, a trade sale of part of the company, or even a separate Stock Exchange total of 11.13p, a rise of 8.4

But he said the strategic development of the company was being accomplished by commercial relationships, such as the one with Nortel, the equipment manufacturer, to supply research and development to the benefit of Energis.

The National Grid its down 4 per cent to £591.4m (\$964m) in line with expectations.

Turnover fell slightly to £1.46bn from £1.49bn, although the 1996 figure included £62.7m from discontinued operations.

4† 15.2 1.4L 8.3† 21.7 35 3.27 0.58 11.6

0.93 0.8†

24.3 11.3 7.36† 2.53L

(3.9) (15.3) (34.7L) (6.8) (19.1) (50.5) (3.21) (1.82) (1.13) (11.5)

(25) (16.54) (6.39)

(13.21L) (10.15)

(0.34)

(1.35) (9.68)

2,475

June 30

2.4

EPS (a)

0.16

0.41 9.68

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. After exceptional charge. Wafter exceptional credit. †On increased capital. Alter exceptional charge. Wafter exceptional credit. †On increased capital. Alter exceptional charge. To be a comparative of the control of the control

(1.82) (2.74) (4.94(**) (1.82) (31.5) (147.9**) (2.37) (1.35**) (1.35**) (1.14) (617.4) (70.4**) (2.03**)

(0.075)

The group declared a final dividend of 6.68p making a to fall by about £220m.

per cent. Earnings per share improved 6.1 per cent to

Mr David Jefferies, chairman, said the company was confident that it would achieve real growth in dividends of between 4 and 5 per cent over the next four

years. The company believed that reported annual pre-tax prof- it could cut costs by an average of 6 per cent in real terms over a similar period. beating the target of 4 per cent set by Offer, the industry regulator, in its October price control determination. With the operation of the new price control from April, pre-tax profits are set

banknote printer, plunged 13 per cent yesterday to a five year low as it reported disappointing annual profits and analysts downgraded forecasts for this year. The company reported a 19 per cent slump in profits before tax and exceptionals to £120.2m (\$195.9m) for the

Shares in De La Rue, the

£768.2m (£763.8m). The group took a £14.8m (£18.3m) charge for reorgani-

year to March on sales of

sation. De La Rue's shares, which have underperformed the market by 40 per cent over the past year, closed down

63½p at 421½p yesterday. The company blamed the poor results on tough market conditions, especially in its banknote division, where overcapacity hit margins and volumes.

Operating profits for the security paper and print duced profits of £7.6m. division, fell 18.5 per cent to

De La Rue reckons £62.3m. Mr Jeremy Marshall, chief executive, said: "We do not expect any significant ple by the year 2000. advances in sales volumes in the immediate future."

Rue's inability to pass higher prices on to customers. "Prices went up 3 per cent and margins went

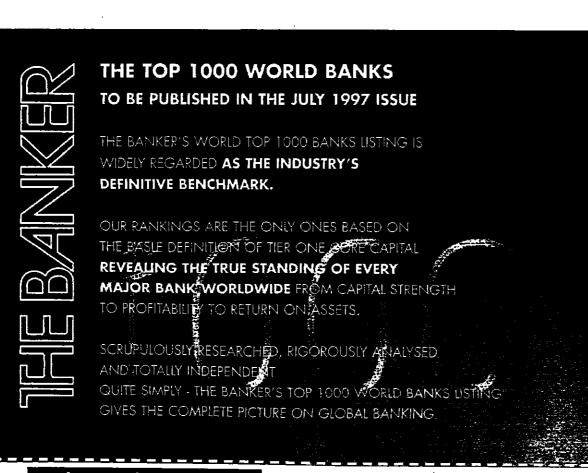
In the cash handling business, operating profits (23.75p).

slumped 42 per cent to £22.1m, because of investment in new products and lower sales of high-margin products. "Profits should move ahead in this division this financial year," Mr Marshall commented.

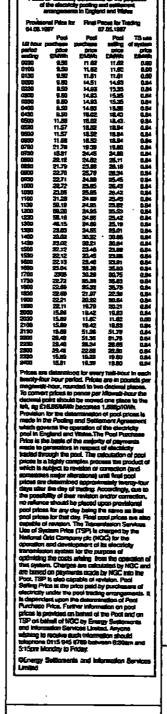
The company was upbeat about its fledgling transactions business, which pro-De La Rue reckons the current \$1bn market for smart cards is set to quadru-

Camelot, in which De La Rue is a shareholder, con-A further concern is De La tributed £15.9m (£17.4m) of

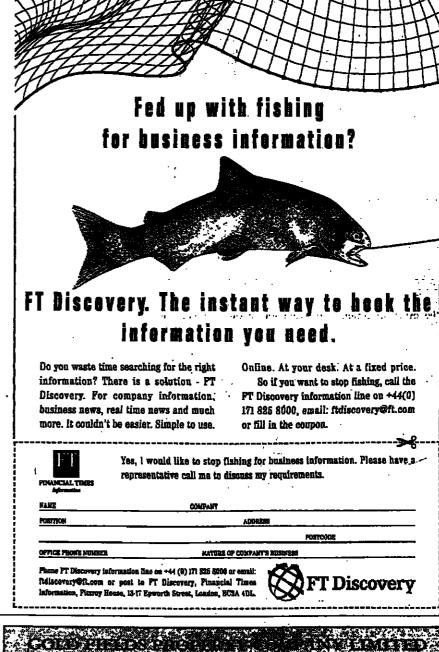
profits. Earnings per share, before charges, fell 18 per cent to 34.8p. The final dividend is maintained at 16.5p, taking the total for the year to 24p

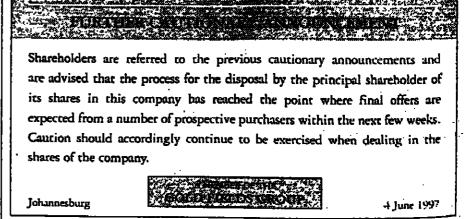


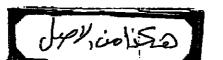
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Caspar Henderson looks at a European action plan on renewable energy options

ighly charged debate

technologies have few declared opponeuts. Not only can they serve environmental goals such as the reduction of carbon emissions, but they may also offer a range of other benefits such as enhanced security of supply and export industry poten-

enewable energy

But the speed and manner of their introduction, and the scale of the contribution they can make, remain con-

Nowhere is the debate more lively than in the European Union. Last November. the European Commission published a green paper suggesting that, providing member states agree a clear strat-egy, renewables' market share could double to 12 per

At that time, the European Parliament called for an ambitious 15 per cent target. Now, following public consultation (concluded last month), a resolution from the European Parliament and discussion at the Council of Ministers, a white paper and action plan are in preparation, for publication later this year.

Renewables supply less than 6 per cent of the EU's gross energy consumption as a whole, and of this 90 per cent comes from large scale hydro-electric schemes. But the greatest scope for growth

renewable energy technologies. And, according to some analysts, European companies have built up significant international advantages in many of the most promising, including small scale hydro, wind power. aspects of solar photovoltalc (PV) generation, and solar thermal power.

It is a period of extraordinary opportunity. "European electricity systems are undergoing profound technological and regulatory changes," explains Michael Grubb, head of the energy and environment programme at the Royal Institute for International Affairs and author of a recent study on the prospects for renewable energy in Europe

"The need to retire old plant and meet new demand may require as much new capacity to be installed in the years up to 2020 as currently exists, with total investments exceeding Ecu 500bn (\$575bn]," he says.

But the place of renewables in the market is far from assured. An EU directive agreed last year means that from 1998, energy consumers will be able to shop is likely to be in other around for the cheapest

Belgium, Portugal and Greece. And so long as the emission of carbon is not regarded as pollution which bears an economic cost, combined cycle gas turbine power generation is likely to offer by far the cheapest means of electricity generation in the great majority of

Hitherto, most renewables in Europe have depended on subsidies. But current systems for premium payments on renewables in continental Europe cannot be sustained in the face of growing renewable capacitles and increasing competition, says the study. Highest value applications

most expensive - are where it is easiest to see renewables thriving. "They will be the technology of choice for the 2 or 3 per cent of the EU's popula-tion not on the grid, and for

the roughly 10 per cent who

are on grid in remote areas,

particularly mountainous

that is, where power is

ones," says Grubb. In a more price sensitive market, certain renewables may even be competitive on mainstream grids at peak the outcome of the meeting number of key institutions the EU in 1995, and is pre-

case for solar PV in southern Europe. John Browne, chief executive of British Petroleum, a leading PV producer, sees this happening "within

the next 10 years." But there are other factors that could completely ide emissions from the bigchange the prospects for gest industrial economies, renewables. One is an says Stewart Boyle of the unforeseen technological International Institute for breakthrough. Another is Energy Conservation. "A

periods. This could be the of the Conference of the Par- are talking about a carbon ties to the Climate Change [dioxide emissions] market Convention in Kyoto this with tradeable permits as a

practicable option...This There is a growing expec-tation that there will be a would suddenly create a whole new slice of cost effecagreement to set targets for tive opportunities for renewa reduction in carbon dioxables" - so long as they work in partnership with the gas industry, he says. Combined heat and power, which accounted for 7 per cent of power production in

by 2010, will be another player. Michael Brown, director of

dicted to rise to 30 per cent

the trade association Cogen Europe says: "The main this in common with the e for us, and we have renewables industry, is that some of the strongest barriers to new entrants in energy markets are linked to monopoly practice."

With so many factors to consider, this is a delicate time for the Commission, and Brussels is keeping its cards close to its chest. But it is reasonable to assume that any long term frame work outlined in the forthcoming white paper and action plan will draw on the green paper's suggestions of a system of renewable energy credits, minimum EU taxes on conventional energy sources, and measures to improve renewables

access to grics. Teres II, a study of these options undertaken for the Commission, outlined a "best practice" scenario. which sought to combine all the initiatives already proven to work on a smaller scale in different parts of the Union (from Britain's non-

fossii fuel obligation to Ausscale-combined heat and

This predicted a 19 per cent reduction in the EUs import dependency, 500.000 extra jobs and a 16 per cent cut in carbon dioxide emissions by 2020.

Grubb thinks that such studies underestimate the likely contribution of renewables because they do not reflect the structural and institutional changes that would accompany growing capacities. "Within three decades, renewable sources could contribute as much as half of Europe's electricity,"

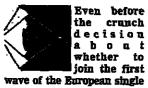
But Mecthild Rothe, a German MEP fears Europe could fall behind Japan and the US in bringing renew-ables to market. A resolution drawn up by Rothe and overwhelmingly passed in the Parliament on May 16 is intended to be a wake-up call to the Commission. Commission. including legally binding measures and financial support." --

*Renewable Energy Strate gies for Europe, vol II: Royal Institute for International Affairs & Earthscan, May

<u>Viewpoint ·</u>

Michael Meacher

Sustainable way forward



wave of the European single currency, the UK's Labour government faces an even earlier international challenge of considerable impor-

This month world leaders the second Earth Summit. What lead should Britain be giving?

Rio in 1992 was a very mixed affair. It did achieve two legally binding conventions - one simed to prevent global climate change and the other to prevent the eradication of biologically diverse species - which were signed by more than 150 countries. It established a set of principles for the sustainable management of forests worldwide.

It ispunched Agenda 21 as a comprehensive blueprint for the global actions to achieve the transition to sustainable development that is, development that meets our needs without compromising the ability of future generations to meet

But its weaknesses are equally obvious. No targets were set, so there is no measure of progress or backsliding. The drives towards deregulation and maximising economic growth work in the other direction and continue to be stronger. Governments have set up new high-sounding institutions, but little has been done on the ground. On the key question - is the world now more sustainable than it was in 1992? - the answer has to be No. But opinions divide

4, 1

sharply about what needs to be done. For the wealthy nations in the north, sustainable development means conservation, energy efficiency, recycling, and reversing global warming and ozone depletion. For poor countries in the south, it means equity, redistribution of wealth, transfer of technology, and a fairer trading system.

The north needs the co-operation of the south to cut down the greenhouse gas emissions caused by mass industrialisation. The south will not co-operate without a much more extensive programme of redistribution. Is a deal possible? The north is right to be

concerned about worsening degradation that seriously threatens the viability of the planet - though it is itself the main perpetrator. Global warming, which will generate hurricanes, droughts, floods and severe crop losses across the world, is primarily driven by concentrations of carbon dioxide in the atmosphere, and these are set to double within the next century compared with preindustrial times.

What is less understood is how global warming is now interacting with depletion of

Even before the ozone laver with muto the crunch ally devastating results.

New threats are emerging chemicals in commercial join the first use, and their potential impacts on human health and ecological function rep

resent unknown risks. Worse, there are clear signs we are reaching the limits of ecological tolerance. In the case of fishwill gather in New York for eries, soil and freshwater, when the sustainable yield is even slightly exceeded, severe shortages can be

> How can the needs of the north and the south be reconciled? A reduction or writing-off of debt for the most severely indebted countries could be linked to a commitment from them to preserve their rainforests and biodiversity. The damage to the environment from mass industrialisation in the developing countries could be minimised if the rich north made available the most advanced technol-

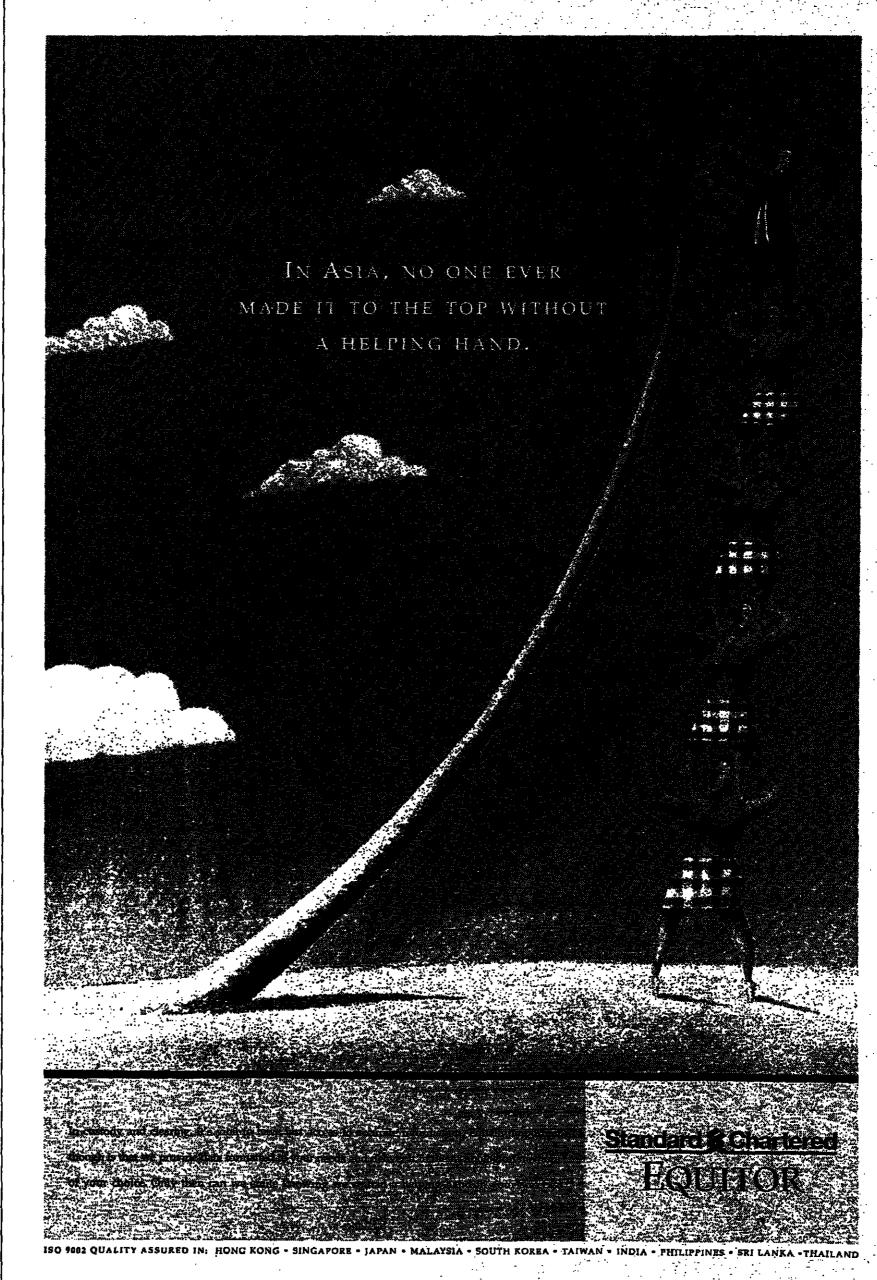
> ogy. And the global environment would be protected if the north would accept that the multilateral environment agreements - on protecting the ozone layer, on hazardous waste, on trade in endangered species, on biodiversity and on climate change would take priority

over the Gatt trade rules. Agreement on these key issues would lay the founds tion for further radical initiatives. A new Chemicals Convention could control the production and use of Persistent Organic Pollutants (POPs), and develop a global harmonised system for the classification and labelling of chemicals.

A forestry convention is needed, though the south's concerns over finance, land ownership and a code of corporations will have to be addressed first. And we need an intergovernmental panel on oceans with the same clout as the Panel on Climate Change, to protect the oceans as a vital food

Will the north find the extra funds required? That is the big question for 1997. In 1992, the secretariat for the first Earth Summit estimated it would cost \$625bn to implement Agenda 21. and of this \$125bn would need to be transferred from the north to the south. In fact, actual resource transfer is running at less than half this level.

We all know that the costs of prevention are less than the costs of treating a problem after it has become aggravated. Perhaps the secretariat should have been asked how much it would cost if we did not implement Agenda 21 over five. 10 and 15 years. My guess is that the ultimate cost of not moving towards a sustainable path for the world would be even greater.



Borrowers raise \$5bn in US dollar sector alone

INTERNATIONAL BONDS By Samer Iskandar

and Edward Luce

Yesterday was the most active session in recent all these issues perform memory, with borrowers raising \$5bn in the dollar sector alone - the equivalent of a week's supply in May.

The largest issues, concentrated in the 10-year area of the yield curve, accounted for more than half the total

Bankers said demand had been boosted by investors global bond markets yesterseeking to extend the dura-tion of their portfolios. Fund managers have been too defensive for too long." said a banker in London. "Now they need to lock in some yield."

From a borrowers' standpoint the 10-year area offers the best swap conditions, allowing issuers to achieve attractive all-in costs once the proceeds are converted

into floating-rate liabilities. But syndicate managers warned that yesterday's pace of issuance could not be

"There has been too much supply, especially in the 10-year sector, and there is not that much cash going around," said one. "It remains to be seen whether

Another banker warned that investors' appetite was ADB yield curve liquid and "certainly satiated, at least in the near future". "There might room for a

well."

few more issues, but only on a selective basis," he added. The ASIAN DEVELOP-MENT BANK returned to the day for the first time since 1995 with a 10-year, \$1bn offering. Priced to yield 18 basis points over Treasuries, the bond held steady on the secondary market.

Mr Peter Balon, assistant treasurer, said the ADB was planning a further \$1.6bn in issues this year, with a debut offering in D-Marks under consideration. The FRANCE launched its largbank was also looking at issuing in Philippine pesos, Indonesian rupiah and Thai baht. It has already issued in Korean won and New

issue opportunistically in Asian local currencies, but to set up bona fide benchmarks for the development of local capital markets," Mr dicate official. Balon said. "We will also be returning regularly to the dollar sector to keep the

active. Officials at Goldman Sachs, which led the deal jointly with SBC Warburg and Tokyo-Mitsubishi, said there was strong demand from US investors. An official at Tokyo-Mitsubishi said that heavy buying from Japanese investors after the launch gave the bond an

early start. "Japanese investors are more comfortable holding dollar bonds now that the missed its chance to set a dollar has retraced some of its gains against the yen. said a syndicate manager.

BLECTRICITE DE est issue since 1989 and its "first benchmark in the dollar sector", according to SBC Warburg, one of the lead larly strong buying in the managers. The other, US. Between a quarter and a J.P. Morgan, said the deal third of the amount is expec-

"We are not looking to was at least 50 per cent oversubscribed. "A lot of investors, mainly in Asia, viewed this deal as a quasisovereign issue," said a syn-

Traders said the spread had tightened by two basis points from the launch level of 12 points, before stabilising in late afternoon at the 11 basis point level.

DENMARK'S issue \$500m of six-year bonds failed to excite investors, who were deterred by the unusual maturity and the pricing over a shorter-dated benchmark

"The deal was too obvi-ously driven by arbitrage," said one banker in London. "By aiming to meet tight funding targets. Denmark new dollar benchmark."

FORD MOTOR CREDIT was among other large issues. Its \$1bn of 10-year bonds was priced to yield 60 basis points over Treasuries. Traders said the deal was well received with, particu-

Asian Development Bank Ford Motor Credit Co(I) Rhalnische Hypothekenbe Deutsche Bank Finance # D-MARKS Republic of Turkey Republic of Roman Lloyds Bank E FRENCH FRANCS Renault Credit Intit; Household Bank Ne

W US DOLLARS

New international bond issues

E ITALIAN LERE rative Rep of Brazil Republic of Finland 5.875 E LUXEMBOURG FRANCS Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Priced today. b) Priced tod. 23—24bp over Treasuries. c) Cell from Jun 02 at par. c1) 3-mth Libor +80bp to Jun 02, then +190bp. d) 3-mth Libor +Sbp. 3-mth Pibor +15bp. g) 5% to 23/7/01, then 6%%. § Over interpolated yield. § Long 1st coupon

Republic of Italy

ted to end up in American **bands** BANK DEUTSCHE dollar sector was overcrowded and chose to issue its \$500m of bonds with a sevenyear maturity. The deal,

> Treasuries. "There has been a big encouraged ROMANIA to portfolio switch out of European currencies and into dol- offering by DM100m to retail investors.

underwritten by Deutsche Morgan Grenfell, was priced

to yield 18 basis points over

curve was in danger of being seven-year maturity to extra spread over five years and to respond to demand for more diversity, he added.

99.427R Jun 2007 0.325R (u)R Jun 2007 0.45R (u)R Jun 2007 0.325R 99.758R Jun 2004 0.30R 99.558R Jun 2003 0.275R 99.615R Jun 2002 0.25R 99.536R Jun 2000 0.1875R 99.578R Jun 2000 0.1875R

99.553R Jun 2007 0.40R

Elsewhere, strong demand for east European paper

DM600m. Priced to yield 300 felt the 10-year end of the basis points over five-year bunds, strong demand FINANCE felt the 10-year flooded," said a DMG official. caused this spread to tighten The borrower has chosen a to 292 basis points after launch. "It sold like hot attract investors with the cakes," said an official at CSFB, which led the deal

CSFB

with DMG.
TURKEY'S five-year DM1bn offering was less well received, with traders saying it was tightly priced. The increase its debut D-Mark deal was targeted mostly at

Debut by National Bank of Greece

By Kerin Hope in Athens

The National Bank of Greece yesterday launched a \$200m floating-rate subordinated eurobond, the first such issue by a Greek bank NBG said the issue was sold out "immediately after

the launch". The 10-year note, callable after five years, was priced to yield 60 basis points over three-month Libor. This margin rises to 130 basis points after five years, if the bonds are not redeemed.

Salomon Brothers and Chase Manhattan were joint lead managers of the issue, NBG's debut on the international capital markets.

Buyers attracted by the relatively high yield included UK fund managers and European and Asian banks, NBG said.

In addition to proceeds from the bond, which qualify as lower Tier-2 capital for regulatory purposes, NBG plans to raise \$400m in fresh equity on the Athens stock exchange later this year, of which \$100m-\$150m will be offered to interna-

tional institutions. A secondary offering of shares held by public sector organisations will be followed by a rights issue. The Greek state holds 5 per cent of National's shares directly and another 43 per cent through public entities and

state pension funds. The issue will be structured to include the conversion to shares of a bond issue last year, which was taken up by Greece's econ-

omy ministry. NBG is expected to appoint Merrill Lynch and SBC Warburg as global co-ordinators for the share

German gold compromise sends Europe higher

GOVERNMENT BONDS By Michael Lindemann in London and Jane

Martinson in New York man government and the Bundesbank brokered a deal

on gold revaluation. However, Mr Stephen Hantious. "It remains to be seen that there won't now be an how convincing any new Italian interest rate cut."

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

proposals to fill the German budget gap are going to be," he said. "We may see a bit of a see-saw motion in Euro-

pean markets." Mr Kirit Shah, chief mar-Europe's bond markets kets strategist at Sanwa headed higher after the Ger- International, said: "Everyone is puzzled. The market has all the right ingredients for a sell-off or a correction. The technicals are weak, nah, head of research at IBJ there's D-Mark dilution and International, remained cau- there is even the possibility

Day's Week Month Price change Yield ago ago

weakness, the markets, especially France and Italy, were bolstered by strong domestic

GERMAN BUNDS led the European politicians that rency was being viewed recovery. The June bund Italy should be a first-round more positively after the future settled at 101.45, up 0.68, and the spread of US tary union. BTPs narrowly Treasuries over bunds, outperformed bunds, with which had languished at 86 the spread tightening one basis points in recent days, widened to 93 points.

FRENCH OATs followed 129.80, up 0.62. suit. The June notional future rose almost a point to spread over bunds widened yielding 6.875 per cent.

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Despite the technical settle at 129.40, while the after the French elections,

member of European mone-June BTP future settled at

ECU BONDS, whose

spread of bunds over OATs recovered some ground. The widened from 10 to 12 points. spread tightened 4 basis ITALIAN BTPs were points to 29 points, suggesthelped by comments from ing the European single cur-

German gold deal. US TREASURY prices were higher at mid-session as buyers turned positive on basis point to 134 points. The inflation ahead of unemployment data due at the end of the week. The benchmark 30year bond was up ¼ at 96整,

Price Indices UK GEts

1 Up to 5 years (19) 2 5-15 years (21) 3 Over 15 years (6) 4 Irredeemables (5)

FTSE Actuaries Govt. Securities

119.71

151.78

178.89

buyers seemed increasingly of substantial data before Treasuries. then would see prices move

"sideways, if not upwards". the release of leading indicators for April, which were in line with expectations with a rise of 0.1 per cent. A hawkish speech by Mr cent, while the 10-year note Robert Parry, a regional Fed- gained 🛔 to 100, yielding eral Reserve president, had 6.624 per cent.

1,84 1,50 4,92 1,32 2,25

150.87

177.07

5.38 5 yrs 5.93 15 yrs

5.02 20 yrs 7.10 tred.† 5.68

One economist said retail also been anticipated. Political events in France confident that Friday's and Germany appeared to be unemployment figures continuing to prompt a flight would be positive, but a lack to the perceived safety of US

In a muted reversion of

last week's trend for the There was little reaction to yield curve to steepen, there was more demand for the longer end yesterday. The two-year bond rose ស់ to 100ង្គ, yielding 6.182 per

> and rights issues. **UK Indices** -- Low coupon yield --- Medium coupon yield --- High coupon yield --- Jun 3 Jun 2 Yr. ago Jun 3 Jun 2 Yr. ago Jun 3 Jun 2 Yr. ago 7,06 7,27 7,32 7,41 7.62 7.04 7.13 7.68 8.34 7.16 7.27 8.36 8.41 7.17 7.27 8.41 7.09 7.14 7.14 7.17

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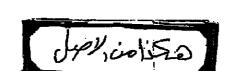
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96.73 96.10 96.09 95.74 95.82 92.40 97.51 93.31 120.57 120.12 120.00 120.02 119.80 111.75 121.56 115.32 Ltd 1997. All rights reserved. * for 1997. Government Securities high since rc 133.87 (2101.94), low 50.53 (33/11/75). Besis 100: Government Securities 1 data will be managilable until the end of May.

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wetrla	5.750	04/07	99.2500	+0.590	5.85	5.93	5.85	10050	0.49	0.81	1.02	1.03	0.58	0.9		
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un 128.56	129.40	+0.88	_	128.5			73.302		Open	Sett pri	ce Chang	pe Hik	ħ	Low	Est, voi.	Open Int.
ep 127.00	127.78	+0.84		126.9			44,023	Jun	94.48	95.30	_	-		94.46	1,718	5.686
							-							•	.,	
ec 96.42	97.20	+0.84	96.42	98.42	2		_	Sep	-	94.92	2 +0.84	, -		-	_	-
ec 96.42 LONG TERM FRE	NCH BO	ID OPT	96.42 10NS (MAT	96.42 3F)	· 2			Sep	-	94.92	2 +0.84	_		-	-	-
ec 96.42 LONG TERM FRE	NCH BO	LS	TONS (MAT	1F)	PUTS	-		Sep US	-	94.92	* +0.84			-	-	
ec 96.42 LONG TERM FRE trike Jun	NCH BOI	LS	Sep	Jun	PUTS		Sep	US	- Easury e				000,08	- 32nds (of 100%	-
ec 96.42 LONG TERM FRE trike Jun 25 2.86	ENCH BOI	LS	Sep 3.19	3F) 	PUTS	-	Sep 0.43	US		BOND F	UTURES (CBT) \$10				Onen int
ec 96.42 LONG TERM FRE trike Jun	CAL Ju	LS	Sep	Jun 0.09 0.19	PUTS Jul 0.28 0.43	. —	Sep 0.43 0.84	US TR	Open	SOND F	UTURES (CBT) \$10 je Hig	h	Low	Est. vol.	Open int.
ec 96.42 LONG TERM FRE trike Jun 25 2.66 28 1.97 27 1.17 29 0.55	CAL Ju 2.2 1.4 0.9	LS d 0 9	Sep 3.19 2.41 1.73 1.15	3F) 	PUTS	-	Sep 0.43	US		BOND F	UTURES (t Chang	CBT) \$10 je Hig 1 110-	h -10 1			247,828
ec 96.42 LONG TERM FRE brites Jun 1ce Jun 25 2.86 26 1.97 27 1.17 28 0.55 29 0.59	2.2 1.4 0.9 0.4	LS	Sep 3.19 2.41 1.73 1.15 0.66	Jun 0.09 0.19 0.39 0.77	0.28 0.43 0.71	-	Sep 0.43 0.84 0.96 1.36	US TR	Open 110-05	Lates	UTURES (t Chang u -0-0 5 +0-0	CBT) \$10 pe Hig 1 110- 1 109-	h -10 1 30 1	Low 110-03	Est. vol. 40,230	247,828
ec 96.42 LONG TERM FRE trike Jun 25 2.66 28 1.97 27 1.17 29 0.55	2.2 1.4 0.9 0.4	LS	Sep 3.19 2.41 1.73 1.15 0.66	Jun 0.09 0.19 0.39 0.77	0.28 0.43 0.71	-	Sep 0.43 0.84 0.96 1.36	US TR US TR Jun Sep	Open 110-05 109-22	30ND FI Lates 110-0 109-2	UTURES (t Chang u -0-0 5 +0-0	CBT) \$10 pe Hig 1 110- 1 109-	h -10 1 30 1	Low 110-03 109-23	Est. vol. 40,230 310,625	247,828 270,252
ec 98.42 LONG TERM FRI Info: Jun 25 2.86 26 1.97 27 1.17 28 0.55 29 0.518 2 vol. terd. Cobs 21,710	2.2 1.4 0.9 0.4	LS	Sep 3.19 2.41 1.73 1.15 0.66	Jun 0.09 0.19 0.39 0.77	0.28 0.43 0.71	-	Sep 0.43 0.84 0.96 1.36	US TR US TR Jun Sep	Open 110-05 106-22 109-15	30ND FI Lates 110-0 109-2	UTURES (t Chang u -0-0 5 +0-0	CBT) \$10 pe Hig 1 110- 1 109-	h -10 1 30 1	Low 110-03 109-23	Est. vol. 40,230 310,625	247,828 270,252
ec 98.42 LONG TERM FRE trice Jun 25 2.86 35 1.97 27 1.17 28 0.55 29 0.19 2 v.d. total, Cabs 21.71 iermatry	2.2 1.4 0.9 0.4 Puts 54.03	LS	Sep 3.19 2.41 1.73 1.15 0.68 to day's open	Jun 0.09 0.19 0.39 0.77 1.41 Inc. Calls	0.28 0.43 0.77 -	± 127;	Sep 0.43 0.84 0.96 1.35 1.89	Jun Sep Dec Japan	Open 110-05 108-22 109-15	SOND F Lates 110-0 109-2 109-1	UTURES (t Change 4 -0-0* 5 +0-0* 3 +0-0*	CBT) \$10 pe Hig 1 110- 1 109- 2 109-	h -10 1 -30 1 -15 1	Low 110-03 109-23 109-13	Est. vol. 40,230 310,625 760	247,828 270,252
ec 98.42 LONG TERM FRI Info: Jun 25 2.86 26 1.97 27 1.17 28 0.55 29 0.518 2 vol. terd. Cobs 21,710	2.2 1.4 0.9 0.4 Puts 54.03	LS	Sep 3.19 2.41 1.73 1.15 0.68 to day's open	Jun 0.09 0.19 0.39 0.77 1.41 Inc. Calls	0.28 0.43 0.77 -	± 127;	Sep 0.43 0.84 0.96 1.35 1.89	Jun Sep Dec Japan	Open 110–05 106–22 109–15	SOND F Lates 110-0 109-2 109-1	UTURES (t Change 4 -0-0* 5 +0-0* 3 +0-0*	CBT) \$10 pe Hig 1 110- 1 109- 2 109-	h -10 1 -30 1 -15 1	Low 110-03 109-23 109-13	Est. vol. 40,230 310,625 760	247,828 270,252
ec 98.42 LONG TERM FRI trice Jun 25 2.86 26 1.97 27 1.17 28 0.55 29 0.19 2 vol. total, Cais 21,216 CETTRAITY INCTIONAL GERM	2.2 1.4 0.9 0.4 Puts 54.03	LS	Sep 3.19 2.41 1.73 1.15 0.58 to day's open	Jun 0.09 0.19 0.39 0.77 1.41 Inc. Calls	0.28 0.43 0.77 	ues 127;	Sep 0.43 0.84 0.96 1.35 1.89	Jun Sep Dec Japan	Open 110-05 108-22 109-15	SOND F Lates 110-0 109-2 109-1	UTURIES (t Chang 4 -0-0 5 +0-0 3 +0-0 4 JAPANE 100%	CBT) \$10 ge Hig 1 110- 1 109- 2 109-	h -10 1 -30 1 -15 1	Low 110-03 109-23 109-13	Est. vol. 40,230 310,625 760	247,828 270,252
ec 98.42 LONG TERM FRE Price Jun 25 2,86 26 1,97 27 1.17 28 0.55 29 0.19 z. vd. text. Cab 21,71 INTRONAL GERM Open In 100.90	2.2 1.4 0.9 0.4 3 Pum 54.03 AAN BUNIL Sett price 101.45	10 OPT 1.S 10 9 11 9 4. Previous Change +0.68	Sep 3.19 2.41 1.73 1.15 0.58 se day's open.	Jun 0.09 0.19 0.39 0.77 1.41 Inc., Colls	0.28 0.43 0.77 - 110,796 P.	Oths of O	Sep 0.43 0.84 0.96 1.35 1.89 sor.	Jun Sep Dec Japan & Notto (LIFFE)	Open 110-05 108-22 109-15 MAL LONG Y100m 10	110-0 109-2 109-1 109-1	UTURIES (t Chang 4 -0-0 5 +0-0 3 +0-0 4 JAPANE	CBT) \$10 ge Hig 1 110- 1 109- 2 109-	h -10 1 -30 1 -15 1 -7. 80	Low 110-03 109-23 109-13 MED FUT	Est. vol. 40,230 310,625 760 TURES	247,828 270,252 26,469 Open int.
ec 98.42 LONG TERM FRI trice Jun 25 2.86 26 1.97 27 1.17 28 0.55 29 0.19 2 vsl. tatal, Caba 21,710 1017112119 1 NOTIONAL GERM Open	CAL Ju 2.2.2 1.4 0.9 0.4 Puts 54.03 AAN BURNI	ID OPT I.S	Sep 3.19 2.41 1.73 1.15 0.58 se day's open.	Jun 0.09 0.19 0.39 0.77 1.41 he, Cals	0.28 0.43 0.77 - 110,796 P	0ths of vol 0	Sep 0.43 0.64 0.96 1.35 1.89 507.	Jun Sep Dec Japan M NOTIO (UFFE)	Open 110-05 108-22 109-15 RIAL LONG Y100m 10 Open 123.72 122.30	Lates 110-2 109-2 109-1 G. TERN Ooths of	UTURES (t Chang 4 -0-0 5 +0-0 3 +0-0 7 100%	CBT) \$10 ge Hig 1 109- 2 109- SSE GOV	h -10 1 -30 1 -15 1 T. 80	Low 110–03 109–23 109–13 NED FUT Low 123,72 122,30	Est. vol. 40,230 310,525 760 TURES Est. vol. 3612 4110	247,828 270,252 26,469
ec 98.42 LONG TERM FRE Price Jun 25 2,86 26 1,97 27 1.17 28 0.55 29 0.19 z. vd. text. Cab 21,71 INTRONAL GERM Open In 100.90	2.2 1.4 0.9 0.4 3 Pum 54.03 AAN BUNIL Sett price 101.45	10 OPT 1.S 10 9 11 9 4. Previous Change +0.68	Sep 3.19 2.41 1.73 1.15 0.58 s dby's open.	Jun 0.09 0.19 0.39 0.77 1.41 he, Cata	0.28 0.43 0.77 - 110,196 Po	0ths of vol 0	Sep 0.43 0.84 0.96 1.35 1.89 307.	Jun Sep Dec Japan M NOTIO (UFFE)	Open 110-05 108-22 109-15 MAL LONG Y100m 10 Open 123.72	Lates 110-2 109-2 109-1 G. TERN Ooths of	UTURES (t Chang 4 -0-0 5 +0-0 3 +0-0 7 100%	CBT) \$10 ge Hig 1 109- 2 109- SSE GOV	h -10 1 -30 1 -15 1 T. 80	Low 110–03 109–23 109–13 NED FUT Low 123,72 122,30	Est. vol. 40,230 310,525 760 TURES Est. vol. 3612 4110	247,828 270,252 26,469 Open int.
ec 98.42 LONG TERM FRE Price Jun 25 2,86 26 1,97 27 1.17 28 0.55 29 0.19 z. vd. text. Cab 21,71 INTRONAL GERM Open In 100.90	CAL Ju 222 1.4 0.9 0.4 3 Puin 54.03 AAN BUNIC Sett price 101.45 100.41	10 OPT 1.S 10 9 11 9 4. Previous Change +0.68	Sep 3.19 2.41 1.73 1.15 0.58 s dby's open.	Jun 0.09 0.19 0.39 0.77 1.41 he, Cata	0.28 0.43 0.77 - 110,196 Po	0ths of vol 0	Sep 0.43 0.84 0.96 1.35 1.89 307.	Jun Sep Dec Japan M NOTIO (UFFE)	Open 110-05 108-22 109-15 RIAL LONG Y100m 10 Open 123.72 122.30	Lates 110-2 109-2 109-1 G. TERN Ooths of	UTURES (t Chang 4 -0-0 5 +0-0 3 +0-0 7 100%	CBT) \$10 ge Hig 1 109- 2 109- SSE GOV	h -10 1 -30 1 -15 1 T. 80	Low 110–03 109–23 109–13 NED FUT Low 123,72 122,30	Est. vol. 40,230 310,525 760 TURES Est. vol. 3612 4110	247,828 270,252 26,469 Open int.
ec 98.42 LONG TERM FRI frice Jun 25 2.86 26 1.97 27 1.17 28 0.55 29 0.18 2 vd, tent, Cab 27.71 INCTIONAL GERM 100.90 ep 99.88	CAL Ju 222 1.4 0.9 0.4 3 Puin 54.03 AAN BUNIC Sett price 101.45 100.41	10 OPT 1.S 10 9 11 9 4. Previous Change +0.68	Sep 3.19 2.41 1.73 1.15 0.58 s dby's open.	Jun 0.09 0.19 0.39 0.77 1.41 he, Cata	0.28 0.43 0.77 - 110,196 Po	0ths of vol 0	Sep 0.43 0.84 0.96 1.35 1.89 307.	Jun Sep Dec Japan M NOTIO (UFFE)	Open 110-05 106-22 109-15 RIAL LONG Y100m 10 Open 123.72 122.30	Lates 110-2 109-2 109-1 G. TERN Ooths of	UTURES (t Chang 4 -0-0 5 +0-0 3 +0-0 7 100%	CBT) \$10 ge Hig 1 109- 2 109- SSE GOV	h -10 1 -30 1 -15 1 T. 80	Low 110–03 109–23 109–13 NED FUT Low 123,72 122,30	Est. vol. 40,230 310,525 760 TURES Est. vol. 3612 4110	247,828 270,252 26,469 Open int.
ec 98.42 LONG TERM FRI frice Jun 25 2.86 26 1.97 27 1.17 28 0.55 29 0.18 2 vd, tent, Cab 27.71 INCTIONAL GERM 100.90 ep 99.88	CAL Jul 22 1.4 0.9 0.4 0.4 0.4 0.4 0.4 0.4 0.4 0.4 0.4 0.4	10 OPT 1.S 10 9 11 9 4. Previous Change +0.68	Sop 3.19 2.41 1.73 1.15 0.58 s doy's open	Jun 0.09 0.19 0.37 1.41 let., Cats 100.85 99.82	0.28 0.43 0.77 - 110,196 Po	0ths of vol 0	Sep 0.43 0.84 0.96 1.35 1.89 307.	Jun Sep Dec Japan M NOTIO (UFFE)	Open 110-05 106-22 109-15 RIAL LONG Y100m 10 Open 123.72 122.30	Lates 110-2 109-2 109-1 G. TERN Ooths of	UTURES (t Chang 4 -0-0 5 +0-0 3 +0-0 7 100%	CBT) \$10 ge Hig 1 109- 2 109- SSE GOV	h -10 1 -30 1 -15 1 T. 80	Low 110–03 109–23 109–13 NED FUT Low 123,72 122,30	Est. vol. 40,230 310,525 760 TURES Est. vol. 3612 4110	247,828 270,252 26,469 Open int.
ec 98.42 LONG TERM FRI frice Jun 25 2.86 26 1.97 27 1.17 28 0.55 29 0.18 2 vsl, tenl, Cab 27.71 GETTRÆFFY I NOTIONAL GERM 100.90 ep 99.88	CAL Ju 22 1.4 0.9 0.4 0.9 3 Pun 54.03 MAN BUNIT Sett price 101.45 100.41 REGES	LS	Sop 2.41 1.73 2.41 1.73 0.68 6 toy's open RESS (LIFFE) 101.55 100.49	Jun 0.09 0.19 0.39 0.77 1.41 he, Cata	0.28 0.43 0.77 - 110,196 Po	Oths of 0385	Sep 0.43 0.84 0.96 1.89 307. 100% pen int. 172530 99751	Jun Sep Dec Japan E NOTIO (LIFFE) Jun Sep	Open 110–05 108–22 109–15 RNAL LONN 1 Y100m 10 Open 123.72 122.30 ures also tra	Lates 110-0 109-2 109-1 G. TERM OOths of	UTURES (t Chang 4 -0-0 5 +0-0 3 +0-0 7 100%	CST) \$10 9 Hig 1 109- 2 109- SSE GOV 123, 122, an Interest	7. BO	Low 110-03 109-23 109-13 109-13 109-13 109-13 109-13 109-13 109-13 109-13 109-13 109-13 109-13 109-13 109-13 109-13 109-13 109-13	Est. vol. 40,230 310,625 760 TURES Est. vol. 3612 4110 Mous day.	247,828 270,252 25,469 Open int. n/a n/a
ec 98.42 LONG TERM FRI frite Jun 25 2.86 26 1.97 27 1.17 28 0.55 29 0.19 2 vol. tatal, Cabs 21.74 GETTIALTY INCTIONAL GERM 100.99 100.99 100.99 100.99 100.99 100.99 100.99 100.99 100.99 100.99 100.99 100.99 100.99	CAL Ju 22 1.4 0.9 0.8 0.8 0.8 0.8 0.8 0.8 0.8 0.8 0.8 0.8	10 OPT 1.S 10 9 11 9 4. Previous Change +0.68	TONS (MATS) Sep 3.19 2.41 1.73 1.15 0.88 8 toy's open RESS (LIFFE 9 High 101.55 100.49	Jun 0.09 0.19 0.39 0.77 1.41 inc. Cate 100.85 99.82	PUTS Jul 0.28 0.43 0.77 - 110,196 P	Oths of Oths of Oths	Sep 0.43 0.84 0.96 1.89 307. 100% ppen ins. 172530 99751	Jun Sep Dec Japan E Notto (UFFE) Jun Sep - LEFFE fub	Open 110–05 108–22 109–15 RNAL LONN Y100m 10 Open 123,72 122-30 uree also tra	Lates 110-0 109-2 109-1 G. TERM OOths of	UTURES (t Chang 4 -0-0 5 +0-0 3 +0-0 7 100%	CBT) \$10 ge Hig 1 109- 2 109- SSE GOV	h -10 1 -30 1 -15 1 T. 80 h 85 1 85 1	Low 110-03 109-23 109-13 109-13 109-13 109-13 109-13 109-13 109-13 109-13 109-13 109-13 109-13 109-13 109-13 109-13 109-13 109-13	Est. vol. 40,230 310,525 760 TURES Est. vol. 3612 4110	247,828 270,252 25,469 Open int. n/a n/a
ec 98.42 LONG TERM FRI frite Jun 25 2.86 26 1.97 27 1.17 28 0.55 29 0.19 2 vol. tatal, Cabs 21,74 30 Control 100.30 100.3	CAL July 22 1.4 0.4 0.4 0.4 0.4 0.4 0.4 0.4 0.4 0.4 0	LS	Sop 3.19 2.41 1.73 1.15 0.88 a days open 101.55 100.49	Jun 0.09 0.19 0.39 0.77 1.41 Inc. Cats 100.85 99.82	PUTS ,tal 0.28 0.43 0.77 - 110,196 P 110,196 P 2745 123	Cates 127,	Sep 0.43 0.64 0.96 1.36 1.89 907. 100% pen ins. 172530 99751	Jun Sep Dec Japan M NOTIO (LIFFE) Jun Sep Dec LIFFE fub	Open 110-05 108-22 109-15 RAL LONG Y100m 10 Open 123.72 122.30 ures also tra	GOND FI Littles 110-0 109-2 109-1 Close Close Close Low Low 9983 h	UTURIES (t Change t -0-0' t Change t -0-0' t	CBT) \$1(1) 10-1 10-1 109-2 109-2 109-2 123.122.ar Interest	7. BO	Low 110-03 109-23 109-13 109-13 109-13 109-13 109-13 109-13 109-13 123-72 122-30 123-72 122-30 123-72 122-30 123-72 123-7	Est. vol. 40,230 310,625 760 TURES Est. vol. 3612 4110 Mous day.	247,828 270,252 26,469 Open int. n/a n/a
OC 98.42 LONG TERM FRI Inter Jun 25 2.86 25 1.97 27 1.17 28 0.55 29 0.55 29 0.55 29 0.71 20 0.55 29 0.55 20	CAL Ju 22 1.4 0.9 0.4 3 Puta 54.03 AAN BUNNT Sett price 101.45 100.41 RIGES 100.41 RIGES 100.628 8.99 6.238 8.71 6.39	100-2 100-2	TONS (MAT Sop 3.19 2.41 1.73 1.15 0.88 8 doys open RESS (LIFFE 9 High 101.55 100.49	Jun 0.09 0.19 0.39 0.77 1.41 ltc. Cats 100.85 99.82 ltcs 100.8 100	PUTS ,tul 0.28 0.43 0.77 - 110,196 P 2,000 100 Est. 5 274 123:	Othe of vol 0 385	Sep 0.43 0.64 0.96 1.36 1.89 sor. 172530 99751 st. kt 7.44 - 7.75	Jun Sep Dec Japan M NOTIO (LIFFE) Jun Sep Dec LIFFE fub. Lun Sep - LIFFE fub. Jun Sep - LIFFE fub. 7.12 1641 ₈ 7.20 1621 ₆ 7.20 16	Open 110–05 108–22 109–15 RIAL LONG Y100m 10 Open 123.72 122.30 ures also tra + 1074 + 1074 + 1042	Lates 110-0 109-2 109-1 Cares 109-1 Cares	UTURES (t Chang t -0-0	CBT) \$10 pe High 1 109- 2 109- 2 109- 2 123.1 122- 2 Interest	n 10 1 30 115 15 15 16 15 16 16 16 16 16 16 16 16 16 16 16 16 16	Low 110-03 109-23 109-13 NND FUT Low 123.72 122.30 re for pre	Est. vol. 40,230 310,625 760 TURES Est. vol. 3612 4110 Mous day.	247,828 270,252 26,469 Open int. n/a n/a
ec 98.42 LONG TERM FRI trice Jun 155 2.86 26 1.97 27 1.17 28 0.55 29 0.19 2 v.i. tend. Cabs 21,711 increased to 100,90 apr 99.88 UK GILTS P	CAL Jul 222 1.4 0.9 0.4 0.9 0.4 0.4 0.4 0.4 0.4 0.4 0.4 0.4 0.4 0.4	100 PT	Sop 3.19 2.41 1.73 2.41 1.75 0.58 a doy's open 101.55 100.49	Jun 0.09 0.19 0.39 0.77 1.41 lst., Cats 100.85 99.82 loss 100.8 10	PUTS Jul 0.28 0.43 0.77 - 110,198 P 10,000 100 Est. 2744 1233	No. 127, 127, 127, 127, 127, 127, 127, 127,	Sep 0.43 0.94 0.96 0.96 1.89 307. 100% pen int. 172530 99751 st 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Jun Sep Dec Japann M NOTIO (LIFFE) Jun Sep Dec LIFFE fub. Jun Sep - LIFFE fub. 7.12 1641a 7.20 1625 7.11 1215	Open 110–05 108–22 109–15 109–15 Open 123.72 122.30 ures also tra +13 1074 +43 1074 +43 1074 +43 1074	Lettes 110-0 109-2 109-1 G. TERNO OOths of Close ded on A	UTURNES (t Chang t O-0	CBT) \$10 pe Hig 1 110- 1 109- 2 109- 2 109- 3 123, 122, an interest	7. BO	Low 110-03 109-23 109-13 MKD FUT Low 123.72 222.30 re for pre	Est. vol. 40,230 310,625 760 TURES Est. vol. 4110 estous day.	247,828 270,252 25,469 Open int. n/s n/s 1874 1874 1874 1874 1874 1874 1874 1874
OC 98.42 LONG TERM FRI Inter Jun 25 2.86 25 1.97 27 1.17 28 0.55 29 0.55 29 0.55 29 0.71 20 0.55 29 0.55 20	CAL Ju 2.2 1.4 0.8 0.4 0.8 3 Puts 54.03 AAN BURNI Sett price 101.45 100.41 RICES	ND OPT LS	Sep 3.19 2.41 1.73 1.15 0.58 0.58 0	3F) Jun 0.09 0.19 0.39 0.77 1.41 let., Cate 100.85 99.82 loss 100.8 let 100.	PUTS , tai 0.28 0.43 0.77 - 110,196 P. 100,196 Est. 5 2744 1235 1235 1245 1255 1256 1257 1258 1258 1258 1258 1258 1258 1258 1258 1258 1258 1258 1258 1258	Note	Sep 0.43 0.84 0.96 1.35 1.89 307. 100% pen int. 172530 99751	Jun Sep Dec Japan & Notto (LIFFE) Jun Sep - LIFFE fub Red Hices: 7.12 1644 7.13 1693	Open 110-05 108-22 109-15 RNAL LONN 1Y100m 10 Open 123.72 122.30 ures also tra +ti 1074 +ti 1042 +ti 1114 +ti 1114 +ti 1114 +ti 1114 +ti 1114	Letters 110-0 109-2 109-1 G. TERMOORING OF	UTURNES (at Chang d -0-0' 5 +0-0' 5 +0-0' 5 +0-0' 6 -1 LAPANET 100% Chang Cha	CBT) \$1(1) 110-1 110-1 110-2 109-1 123. 123. 123. 125.9 (78.9) (h 10 1 30 1 15 1 15 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Low 110-03 109-23 109-13 NNO FU Low 123.73 123.73 125 Pi 289 3.51 3.55	Est. vol. 40,230 310,625 760 TURES Est. vol. 4110 estous day.	247,828 270,252 25,469 Open int. n/s n/s 1874 1874 1874 1874 1874 1874 1874 1874
ec 98.42 LONG TERM FRI price Jun 25 2.86 26 1.97 27 1.17 28 0.55 29 0.19 2 w.l. teld. Cabs 21,711 GETHERITY INCTIONAL GERM IN 100.90 39.86 UK GILTS E kinks kinks mas* (i.l.wa up to Fare Ye ass Car 7p 1997;†; 28 84ps 1997;†; 28 84ps 1997;†; 28 84ps 1997;†; 28 15°ps 1991; 28 1	CAL Jul 222 1.4 0.4 0.4 0.4 0.4 0.4 0.4 0.4 0.4 0.4 0	D OPT 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	NAT	17) Jun 0.09 0.19 0.39 0.77 1.41 Inc. Cats 100.85 99.82 Inc. Tra 100.8 Tes 100.8 Tes 100.8 Tes 100.8 Tes 100.8 Tes	PUTS ,tul 0.28 0.43 0.77 - 110,198 P 110,198 P 2,000 100 Est, 5 2744 1233	No. 127	Sep 0.43 0.84 0.96 1.35 1.89 307. 100% pen inc. 172530 99751 - 7.44 - 7.75 - 7.74	Jun Sep Dec Japan M NOTIO (LIFFE) Jun Sep - LIFFE full Red Mars 1214 7.12 1041 7.11 1214 7.13 1093 7.18 107 Aut	Open 110–05 108–22 108–15 RIAL LONG Y100m 10 Open 123.72 122.30 ures also tra +3 1074 +4 1042 +3 1314 +4 1014 +4 1014	SONID F Lates	UTURIES (t Change t O-0 0 t Change t O-0 0 t	CBT) \$10 pe Hig 1 110- 1 109- 2 109- 2 109- 38E GOV 123, 123, 123, 124, 175,9 (75,9) (1. 10 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Low 110-03 109-23 109-13 MED FUT Low 122.30 re for pre- 289 351 356 357	Est. vol. 40,230 310,625 760 TURES Est. vol. 4110 estous day.	247,828 270,252 25,469 Open int. n/s n/s 1874 1874 1874 1874 1874 1874 1874 1874
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98.42 LONG TERM FRIE Price Jun 25 2.86 26 1.97 27 1.17 28 0.55 29 0.19 2 wil, telti, Cabs 21,711 GETHERITY INCTIONAL GERM INCT	CAL July 22 2 2 1.4 0.9 0.4 0.4 0.4 0.4 0.4 0.4 0.4 0.4 0.4 0.4	ID OPT LS	Sop	100,8 Test	PUTS Jul 0.28 0.43 0.77 - 110,196 P 100,000 100 Est. 2744 123 111,192 20 18 8pc 2002 18 111,192 20 18 7 14pc 2 18	Notes of Octas of Oct	Sep 0.43 0.94 0.96 0.96 1.89 007. 100% pen int. 172530 99751 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Jun Sep Dec Japan Mt NOTIO (LIFFE) Jun Sep Dec LIFFE fub Lun Sep LIFFE fub 1014 1214 7.12 1041 7.13 1093 7.18 1093 7.18 92	Open 110-05 108-22 109-15 108-21 109-15 RNAL LONN 17100m 10 Open 123.72 122.30 ures also tra 143 1074 144 1074 145 1074 147 1114 147 1114 147 11174 147 1174 147 1174 147 1174 147 1174 147 1174 147 1174 147 1174 147 1174	Letters 110-0 109-2 109-1 10	UTURNES (t Change t	CBT) \$10 pe High 1 109- 2 109- 2 109- 2 109- 2 109- 3 123- 123- 123- 123- 123- 123- 123- 123-	1.50 1 1.55 1 T. BO 1 1.55 1 1 T. BO 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	110-03 (109-23 (109-13	Est. vol. 40,230 310,625 760 TURES Est. vol. 4110 estous day.	247,828 270,252 25,469 Open int. n/s n/s 1874: 1134 1874: 1134 1874: 1737 1814: 1737 1814: 1737 1814: 1737 1815: 1815 1816: 1373 1816: 1373 1874 1874 1874 1874 1874 1874 1874 1874
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96.42 LONG TERM FRI Trito Inice Jun 25 2.86 26 1.97 27 1.17 28 0.55 29 0.19 2 wil, terd, Cabs 27,71 INCTIONAL GERM Open IN 010,90 apr 99.86 UK GILTS P Idensity 1997 IN 1997	CAL July 22 2 1.4 0.9 0.4 0.4 0.4 0.4 0.4 0.4 0.4 0.4 0.4 0.4	10 OPT 1 S	Sop	100 1 100 1	PUTS Jul 0.28 0.43 0.77 110,196 P 11	No. 127.	Sep 0.43 0.94 0.96 0.96 1.89 007. 100% pen int. 172530 99751 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Jun Sep Dec Japan Mt NOTIO (LIFFE) Jun Sep Dec LIFFE fub Lun Sep LIFFE fub 1014 1214 7.12 1041 7.13 1093 7.18 1093 7.18 92	Open 110-05 108-22 109-15 108-21 109-15 RNAL LONN 17100m 10 Open 123.72 122.30 ures also tra 143 1074 144 1074 145 1074 147 1114 147 1114 147 11174 147 1174 147 1174 147 1174 147 1174 147 1174 147 1174 147 1174 147 1174	Close Clos	UTURNES (at 4 -0-0 or 6 at 4 -0-0 o	CBT) \$10 pe High 1 110- 1 109- 2 109- 2 109- 2 123- 123- 123- 123- 123- 123- 123- 123-	1.50 1 1.55 1 1.	110-03 (09-23 (09-13 (0	Est. vol. 40,230 310,625 760 TURES Est. vol. 3612 4110 sidous day. 1144 + 4110 sidous day. 11574 + 4110 11574	247,828 270,252 26,469 Open int. n/s n/s 1871: 1781: 1781: 1872: 1782: 1872: 1782: 1872: 1
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98.42 LONG TERM FRI Price Jun 25 2.86 80 1.97 27 1.17 28 0.55 29 0.19 2 v.i. tscil. Cabs 2.17 CPAN TORNAL GERM Open IN OTHONAL GERM Open IN OPE	CAL July 22 1.4 0.9 0.4 0.4 0.4 0.4 0.4 0.4 0.4 0.4 0.4 0.4	HD OPT LS	CONS	100.5 Test 100.1 Test	PUTS Jul 0.28 0.43 0.77 110,196 P 11	127; 127;	Sep 0.43 0.84 0.96 1.35 1.89 307. 172530 99751 175 17.75 17.76 17.78 17.	Jun Sep Dec Japann M NOTIO (LIFFE) Jun Sep Dec (LIFFE) Jun Sep - LIFFE fub 7.12 1641 7.20 1635 7.13 1693 7.15 1745 7.17 1693 7.18 62 7.18 1153)	Open 110-05 108-22 109-15 108-22 109-15 RIAL LONG 17100m 10 Open 123.72 122.30 ures also tra 143 1074 144 1074 144 1074 144 1074 144 1074 144 1074 144 1074 147 1074 147 1074 147 1074 147 1074 147 1074 147 1074 147 1074 147 1074 147 1074 147 1074 147 1074 147 1074 147 1074 147 1074 147 1074 147 1074 147 1074 147 1074	Close Clos	UTURNES (at 4 -0-0 or 6 at 4 -0-0 o	CBT) \$10 pe High 1 110- 1 109- 2 109- 2 109- 2 123- 123- 123- 123- 123- 123- 123- 123-	1.50 1 1.55 1 1.	110-03 (09-23 (09-13 (0	Est. vol. 40,230 310,625 760 TURES Est. vol. 3612 4110 sidous day. 1144 + 4110 sidous day. 11574 + 4110 11574	247,828 270,252 25,469 Open int. n/s n/s 1874: 1184 1874: 1734 1874: 1734 1874: 1734 1874: 1734 1874: 1874 1874: 1874 1874 1874: 1874 1874: 1874 1874 1874: 1874 1874: 1874 1874 1874: 1874 1874: 1874 1874 1874: 1874 1874: 1874 1874
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Asien Dev Benk 64, 05 750 Austria 61 ₂ 00 400	96	965	_و لو	8.94	SWISS FRANC STRAIGHTS					Glasso Wellcome 84; 05 £ 500 1064, 1064, +2 7.65
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Bark Ned Gemeenten 7 99 1000	1011	1014	41	6.42	98 34, 99 1000	103	1033	Ţ	1.66	Land Secs 912 07 E 200 11114 11114 17 7.82
Bayer Vereinstik 8 ¹ s 00 500 Beigium 5 ¹ 2 03 1000 Beigium 5 ¹ 4 02 500	935	103¾ 93¾	ᄮ	6.62	EB 64, 04 300	1164	117	1	4.14 2.08	Land Sects 92 07 9 200 1114, 11114 45, 7.82 Orland 114, 01 92 100 1114, 11112 44, 7.50 Powerger 87, 03 92 250 105 1054, 43, 7.78 Seven Trent 1112 99 92 150 1075, 1077, 48, 7.44
Baltish Columbia 7%, 02 500	103 4	107		6.84	Helsba Finance 34, 00	105	100-2	7	217	Seven Trent 11 2 99 £ 150 1075 1075 1075
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China 6½ 04 1000	957	96 ¹ 2	4	7,42	Quebec Hydro 5 08 100	1042	105 ¹ 2	+4	4.46	Credit Local 5 (7) FF7 8000 1044, 105 +2 4/6
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			-		Dermark 6 ¹ / ₂ 02 Ecu 1000 EC 6 00 Ecu 1100	1131	1144		524	Full Intil Firence 4, 02 Y 210000 2002 98 99 435.98 Gold Kalgoorie 74, 00
DEUTSCHE MARK STRAICHTS Austis 6½ 24 2000	gc3.	97	J.	g 70			1014		4.70	Grand Metropolitan 612 00 710 4.37 13412 13512 -0.58
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	1044	وي	+2	3.44	United Kingstom 9 ¹ , 01 Ecu	114 ¹ 4 107	1143	-13-	489	Library Danie of the company and and
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Trans ap; 20214# ____ 7.29 714109[sal +12 111] 95% Other Fixed Interest

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CURRENCIES AND MONEY

Markets rest after Euro turmoil

MARKETS REPORT By Richard Adams

There was plenty of pushed it back to FFr3.274 lar in Europe. movement in the foreign yesterday. Mr Chris Dunne, exchange markets yesterday. chief analyst at Forexia in The dollar's chances of but the closing levels were London, said: "People trying making further inroads little changed from the pre- to sell the French franc get against the D-Mark could be vious day's trading.

New York, said the currency to a broadly based single New York, said the currency to a broadly based single maximum upside of markets were in a "consoli-currency helped the dollar DM1.7380. "Other than that. dative mood", not continu- hit a high of DM1.7330 dur- there's no reason to buy US,

On the London market, DM1.7261. the US dollar stood still against the D-Mark and the French franc, but lost news for the dollar, if the ground against sterling. The Euro was launched on time dollar went up by a third of without strong monetary a cent to the pound, closing measures to support it. The at \$1.6361.

News that the German government backed down in its gold revaluation battle with the Bundesbank stirred the European markets. The French currency hit a low

their fingers burnt."

ing the volatility seen in the ing early trading in Europe. fundamentally," Mr Dunne Asian markets.

It later slipped back to said, who recommends self-

Traders said a broadlybased Euro would be good

Jan 3		Prav. close
2 apot	1.6385	1.8355
1 100	1.6354	1,6344
3 mth	1.6332	1,6322
1 W	1.6302	1,6236

for the year of FFr3.386 Socialists are less committed against the D-Mark after the to meeting the criteria laid election results, but the down in the Maastricht weakness of the D-Mark treaty, underpinning the dol-

good, according to chartists. Mr Marc Chandler, senior

Currency strategist at Deutsche Morgan Grenfell in New York said the currency strategist at Deutsche Morgan Grenfell in French elections could lead with that broken there was a ing above DM1.73.

the dollar caused by the wor-ries over the single currency in Europe. "I think most people believe that Emu will take place on time and with

a weak Euro," he said. against the Japanese yen ruled out the country joining also held down the dollar a single European currency against the D-Mark yester in 1999 – but left open the



Mr Chandler said there along with sterling, was was a "slight bias" towards gaining from the search for a safe haven. The yen narrowed by Y0.4 to Y116.1.

clated against the D-Mark, weak Euro," he said. after Mr Goran Persson, the A decline in the dollar Swedish prime minister, day. Traders said the yen, possibility of later entry.

DOLLAR SPOT F

The announcement had the decision made on a simbeen heavily anticipated by ple majority. Mr Eddie the market, but the krone still gained another two ore against the D-Mark, closing Mr George will sit tomorat SKr4.49.

independent interest-rate meeting including any vote, setting body starts tomorrow taken, will be published by at 3pm, with any decision the Bank within six weeks. announced on Friday at noon (11am GMT). The MPC Fears that the governing will vote on interest rates at Liberal party in Canada

Jun 3		£	_		\$	
Castall R	53,7475	-	53,9407	32,8610	-	32,9500
Hangery	301-245					
	4909.80					
			0.4956			
إعطارا			5.2731			
P _e mpig	9448,86					
IJAE.	6,0074	-	8.0114	3.6720	-	36731

George, the governor, has the casting vote in a tie.

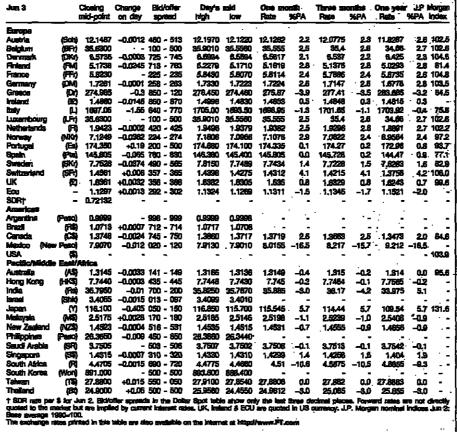
row with Mr Howard Davies, the deputy governor, the ■ The proximity of the UK's Bank's executive directors mini-budget on July 2 is Mr Mervyn King and Mr Ian weighing more heavily on Plenderleith, and "outside" sterling than the inaugural members Professor Charles meeting of the Bank of Goodhart and Professor Wil-England's Monetary Policy lem Buiter. Sir Alan Budd Committee (MPC), currency will sit in on the meeting as The first meeting of the observer. Minutes of the

the end of the meeting, with were going to lose their majority, after early election results, pushed the Canadian dollar out to C\$1.3830 against

the US dollar. But later results made it clear the Liberals would retain power and the Canadian currency recovered to C\$1.3748 in London.

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	/ RAT	ES:						. ·
June 3		Over	One	Three		One		
7, .	<u> </u>	ight · i	acrier 84 -	34	initis	yek	6.00 2.5	
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Shally .		4	- 64	88	. 4	100	825 6,7	5 6,78
Netherland Seitzeriand		延	3 <u>4</u>	34	3% . 1%	3%	- 25 - 1.0	
US.		5	54	58	6-	- 6%	- 5.0	Ū -
Japan .	<u> </u>	1/4	-	. 3			0.5	<u> </u>
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Danish Kron Germen Ma		- 3½` - 27	345 - 3 34 2	3 . 34	- 3 ¹ 2 - 2 1 2	3월 - 3월 3월 - 2월	38-3	4 - 3달 3월 - 3월
Dutch Guild Franch Form	ier . 3 🖧	- 3,5	3 <u>4</u> - 3 34 - 3	P _e 3 <u>3</u>	- 342 - 3 ¹ 4	3분 - 3분 3분 - 3분	32 - 3A	.313 - 374
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Sep Dec	96.40			0.10 0.10	· 96.48 · 96.48			57,113 34,387
E THESE	MONTH	SURO	MARK	FUIÜ	RES (LI	FFEY DM	im points of	100%
					1			
	Open	-		инде .	High	• • • •		Open int.
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Sep- Dec	96.81 96.73 96.60	96.8 96.7 96.8	1 4 5 4 4 1	0.01 6.03 0.05	96.81 96.75 96.64	96.80 96.72 96.59	21038 21827 31840	214775 213515 238237
Sep Dec Mar	96.81 96.73 96.60 96.46	96.8: 96.7: 96.8: 96.5:	1 4 5 4 4 4 3 +	0.01 0.03 0.05 0.07	96.81 96.75 96.64 96.53	96.80 96.72 96.69 96.46	21038 21827 31840	214775 213515 238237 217731
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Sep- Dec Mar # CHEE #	96.81 96.73 96.60 96.46 ONTH EL	96.8: 96.7: 96.6: 96.5: PROBL Selt pt	1 4 5 4 4 4 3 4 LPRK PI	0.01 0.03 0.05 0.07 TUBE 1tinge	96.81 96.75 96.64 96.53 9 (LFFT	96.80 96.72 96.59 96.46 3" DM:3m	21038 21827 31840 28193 points of 10	214775 213516 238237 217731 0096 Open int. 1587
Sep Dec Mar # ONEL # Jun Jul Aug	96.81 96.73 96.60 96.46 ONTH EL	96.8: 96.7: 96.6: 96.5: PROBE	THE PL	0.01 4.03 0.05 0.07 77.05 htmge	96.81 96.75 96.64 96.53 9 (LFFT	96.80 96.72 96.59 96.46 3" DM:3m	21038 2 31827 3 31040 3 28183 2 points of 10 6 6 6 7 0 0 0	214775 213515 238237 217731 00% Open int.
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Sep Dec Mar # ONEL # Jun Jul Aug	96.81 96.73 96.60 96.46 OHTH EL Open	98.8* 96.7* 96.5- 96.5- 96.5* 96.8* 96.8* 96.8* 96.8*	1 4 5 + 4 + 3 + NRIK PI 1cc Cl	0.01 0.03 0.05 0.07 71 71 0.01 0.01	96.81 96.75 96.64 96.53 96.53 96.57 High	96.80 96.72 96.69 96.46 3" DM3mi	21038 2 31827 3 1040 3 28193 4 points of 10 0 0 0 0 0 0 0 0 0	214775 213515 298237 217731 1094 Open Int. 1587 360 119 3
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Sep- Dec Mar # ONEL ## Jul Aug Sep # Thereas	95.81 96.73 96.60 96.46 ONTH III Open MONTH! Open 93.17 93.35	98,8* 96,5* 96,5* 76000 96,8* 96,8* 96,8* 96,8* 96,7* EUMO Sett pr	1 4 5 4 4 + 3 3 + 1 1 + 1 1 + 1 1 + 1 1 + 1	0.01 0.03 0.05 0.07 711499 0.01 0.01 0.01 0.01 0.07	96.81 96.75 96.64 96.53 9 (LFF) High High 93.23 93.46	96.80 96.72 96.59 96.46 97 DM3mi Low 93.15 93.15	21038 21827 31040 25193 points of 10 0 0 0 0m points of 5 Est. vol	214775 213515 298237 217731 00% Open Int. 1587 250 119 3- 100% Open Int. 93820 103453
Sep-Dec Mar Silver Sep- Jun Jul Aug Sep Sep Sep Sep Sec Mar	96,81 96,73 96,69 96,69 ONTH \$1 Open PROPERTY Open 93,17 93,35 93,57 93,69	98.81 96.55 96.55 96.82 96.83 96.87 96.77 EURO Sett p 93.22 93.44 93.65 93.77	THE CITY OF THE CI	0.01 0.03 0.05 0.07 77 77 77 77 77 0.01 0.01 0.01 0.07 0.07	96,81 96,75 96,64 96,53 9 (LFF) High High 93,23 93,48 93,67 83,80	95.80 95.72 96.59 96.46 9 DM23n Low 93.15 93.15 93.35 93.35	21038 2 31827 3 1040 2 26193 1 points of 10 0 0 0 0 0 0 0 0 0 0 0 0 0 21797 3 23373 3 1652 3 1652	214775 213516 298237 217731 096 Open Int. 1587 360 119 3- 100% Open Int. 83820 103453 55038 57175
Sep-Dec Mar Silver Sep- Jun Jul Aug Sep Sep Sep Sep Sec Mar	96.81 96.73 96.60 96.46 ONTH \$1 Open 98.77 93.35 93.57 93.69	96.8: 96.5: 96.5: 96.8: 96.8: 96.8: 96.7: EUMO 98II p 93.2: 93.4: 93.7: 93.7:	THE CITY OF THE CI	0.01 0.03 0.05 0.07 711 0.01 0.01 0.01 0.07 0.07 0.07	96.81 96.75 96.64 96.53 9 (LFT) High 18 (LFT) 93.23 93.48 93.67 93.80	96.90 96.72 96.99 96.99 1 OM/2m 1 Cow 93.25 93.25 93.25 93.25	21038 2 31527 31040 2 25193 2 25193 3 points of 10 0 0 0 m points of 7 Est. vol 5 21797 3 23373 3 16522 3 5647 m points of 10	214775 213516 298237 217731 00% Open int. 1587 260 119 3- 100% Open int. 93820 103453 55038 37175
Sep-Dec Mar Silv Ones,	96.81 96.73 96.60 96.46 ONTH ISL Open 93.17 93.35 93.57 93.69 NOTTH ISL Open	96.8: 96.7: 96.8: 96.8: 96.8: 96.8: 96.7: EDMO Sett p 93.2: 93.4: 53.6: 93.7: 80.7: 80.7: 80.7: 80.7: 80.7:	A PRICE PI	0.01 0.03 0.05 0.05 0.01 0.01 0.01 0.01 0.07 0.07 0.09 0.12	96.81 96.75 96.64 96.53 9 (LFF) High 93.23 93.46 93.67 93.80 Fight	95.60 96.72 96.46 97.0M3mi Low 93.15 93.15 93.55 93.55 93.55	21038 2 51827 3 1040 4 26193 4 points of 10 0 0 0 0 0 0 0 0 0 0 0 0 0 21797 3 23373 3 16522 3 5647 4 Est. vol	214775 213516 298237 217731 096 Open Int. 1587 350 119 3- 100% Open Int. 93820 103453 55038 37775
Sep-Dec Mar III THEREE III	96.81 96.73 96.69 96.48 ONTH ISL Open 98.17 93.35 93.69 98.84 98.84	96.8: 96.7: 96.6: 96.8: 96.8: 96.8: 96.7: EUMO Sett p. 93.2: 93.4: 98.7: 98.7: 98.7: 98.7: 98.7: 98.7: 98.8: 98.8:	AFRICE CI	0.01 0.03 0.05 0.07 7 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	96.81 96.75 96.64 96.53 96.53 96.53 96.57 16gh 16gh 16gh 16gh 16gh 16gh 16gh 16gh	96.60 96.72 96.59 96.46 97 DM3mi Low 93.15 93.35 93.35 93.45 93.45 93.45 93.45	21038 21827 31040 25193 points of 10 0 0 0 0m points of 5 Est. vol 23373 3 16522 3 5647 m points of 10 7 Est. vol 3 23373 3 16522 3 647 m points of 10	214775 213516 298237 217731 00% Open int. 1587 260 119 3- 100% Open int. 93820 103453 351038 37175 00% Open int. 43977 0096
Sep Dec Sep Dec Sep Dec	96.81 96.73 96.69 96.68 ONTH ISL Open 98.17 93.35 93.57 93.69 MONTH EU Open 98.84 98.84 98.82	96.8: 96.7: 96.6: 96.8:	AFRICE PI	0.01 0.03 0.05 0.07 711116 0.01 0.01 0.01 0.07 0.07 0.09 0.10 0.07 0.07 0.07	96.61 96.75 96.64 96.53 96.53 96.53 96.67 High 93.23 93.46 93.67 93.80 High 98.62 98.53	96.80 96.72 96.98 96.48 97.0M2m Low 93.15 93.25 93.25 93.25 93.25 93.25 93.25 93.25 93.25 93.25 93.25 93.25	21038 2 51827 3 1040 3 1040 4 26193 4 points of 10 0 0 0 m points of 21797 3 25373 3 25373 3 2647 4 points of 10 4 points of 10 6 21797 6 2179	214775 213516 298237 217731 096 Open Int. 1587 380 119 3- 100% Open Int. 83820 103453 \$5038 37175 096 Open Int. 43977 57226 33408
Sep-Dec Mar Sep Mar Sep Dec Mar Sep Mar Sep Dec Mar Mar Sep Dec Mar Mar Sep Dec Mar Mar Sep Dec Mar	96.81 96.73 96.50 96.50 96.48 ONTH \$1 Open 98.17 93.35 93.57 93.57 93.84 98.72 96.54 96.52 96.34	96.8: 96.7: 96.9: 96.8: 96.8: 96.7: 96.7: 98.8: 98.8: 98.8: 98.8: 98.7: 98.7: 98.7: 98.7: 98.2:	1 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4	0.01 0.03 0.05 0.07 Prump 0.01 0.01 0.01 0.07 0.09 0.12 0.07 0.09 0.12	96.61 96.63 96.64 96.53 96.67 18gh 18gh 18gh 18gh 18gh 18gh 18gh 18gh	98.60 96.72 98.48 97 DM3m LOW 1.00 1.00 93.15 93.25 93.25 93.56 93.66 93.66 93.66 93.66 93.66 93.66 93.66 93.66 93.66	21038 2 51827 3 1040 3 1040 4 26193 4 points of 10 0 0 0 m points of 21797 3 25373 3 25373 3 2647 4 points of 10 4 points of 10 6 21797 6 2179	214775 213516 238237 217731 00% Open Int. 1587 380 119 3 100% Open Int. 83820 103453 85038 37175 00% Open Int. 43977 57226 33408 14703
Sep-Dec Mar III Dec Sep-Dec Mar III THERES II	96.81 96.73 96.50 96.50 96.48 ONTH \$1 Open 98.17 93.35 93.57 93.57 93.84 98.72 96.54 96.52 96.34	96.8: 96.7: 96.8: 96.8: 96.8: 96.8: 96.8: 96.7: 96.8: 96.7: 96.8: 96.7: 96.7: 96.8: 96.7: 96.8: 96.7: 96.8: 96.8: 96.7: 96.8:	THE PROPERTY OF THE PROPERTY O	0.01 0.05 0.07 77 17 17 18 19 10 10 10 10 10 10 10 10 10 10 10 10 10	98.61 96.75 96.53 96.53 96.53 9 (JFFF High 93.22 93.67 93.80 98.84 98.84 98.25 98.23 98.23 98.37	98.60 96.72 98.48 97 DM3m LOW 1.00 1.00 93.15 93.25 93.25 93.56 93.66 93.66 93.66 93.66 93.66 93.66 93.66 93.66 93.66	21038 2 51827 31040 28193 28193 28193 28193 20105 of 10 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	214775 213516 238237 217731 00% Open Int. 1587 380 119 3 100% Open Int. 83820 103453 85038 37175 00% Open Int. 43977 57226 33408 14703
Sep-Dec Mar III THENEX III SEP-DEC MAR II	96.81 96.73 96.50 96.46 ONTH \$1 Open 93.17 93.35 93.57 93.69 HOTTH \$1 Open 98.72 98.72 98.72 98.74 98.74 98.74	96.8: 96.7: 96.8: 96.7: 96.8: 96.5: 96.5: 96.8: 96.7: 96.8: 96.7: 96.8: 96.7: 96.8:	1 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4	0.01 0.05 0.07 77445 0.07 0.01 0.01 0.07 0.09 0.10 0.09 0.10 0.09 0.10 0.09 0.10 0.09 0.10 0.09	98.61 98.75 98.75 98.64 98.64 98.64 98.64 98.86 98.86 98.87 98.87 98.87 98.87 98.87 98.87 98.87 98.87	96.80 96.72 96.48 96.48 97.0M2mi Low 93.15 93.25 93.25 93.26 93.86 93.86 93.86 93.86 93.86 93.86 93.86 93.86 93.86 93.86	21038 2 51827 31040 2 5193 2 points of 10 0 0 0 m points of 0 0 points of 10 5 21797 3 16522 3 5647 6 points of 10 7 Est. vol 1 17538 3 18652 4 17538 3 18652 5 21797 1 points of 10 0 17538	214775 213516 238237 217731 096 Open Int. 1587 260 119 3- 100% Open Int. 93820 103453 351038 37175 00% Open Int. 43977 57226 33403 14703 00% Open Int. n/a
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Sep-Dec Mar III Dem III Jul Aug Sep Dec Mar III THEREE II Jun Sep Dec	96.81 96.73 96.60 96.64 96.64 ONTH SI Open 93.17 93.35 93.57 93.57 93.64 98.72 96.54 96.72 96.54 96.72 96.54 96.72 96.54	96.8: 96.5: 96.5: 96.5: 96.5: 96.5: 96.5: 96.5: 96.5: 96.5: 96.5: 96.5: 96.5: 96.5: 96.5: 96.5: 96.5: 96.5: 96.5: 96.5: 96.7: 96.7: 96.7: 96.7: 96.5:	The state of the s	0.01 0.05 0.05 0.07 0.07 0.01 0.01 0.01 0.01 0.07 0.07	98.61 98.75 98.64 98.53 98.64 98.67 High High 98.62 98.64 98.72 98.72 98.72 98.72 98.72 98.72 98.72 98.72 98.72 98.72	98.80 96.72 98.48 97.0M3m Low 93.15 93.25 93.25 93.25 93.26 93.25 93.25 93.25 93.25 93.25 93.25 93.25 93.25 93.25 93.25 93.25	21038 2 51827 3 1040 2 25193 2 points of 10 0 0 0 0 0 points of 21797 3 23373 3 16522 3 5647 6 points of 10 7 Est. vol 1 7538 3 19387 4 19387 5 2107 6 points of 10 7 Est. vol 6 3 337 6 5647 6 points of 10 7 Est. vol 7 5 3 5842 6 3 5847 6 19387 6 5 40 7 5 5 40	214775 213516 238237 217731 096 Open Int. 1587 380 119 3 100% Open Int. 83820 103453 55038 37175 096 Open Int. 43977 57226 33408 14703 096 Open Int. n/a n/a
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Sep Dec Mar III Dem Sep Dec Mar III THINNEE II THINNEE	96.81 96.73 96.60 96.48 90.70 96.48 ONTH SI Open 98.17 93.35 93.57 93.35 93.57 94.52 96.34 8000TH SU 96.82 80.16 98.82 80.16 98.82 80.16 98.82 80.16 98.82 80.16 98.82 80.16 98.82 80.16 98.82 80.16 98.82 80.16 98.82 80.16 8	96.87.96.96.87.90.90.90.90.90.90.90.90.90.90.90.	1 4 4 5 5 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6	0.01 0.05 0.07 17 17 18 18 18 18 18 18 18 18 18 18 18 18 18	98.61 98.75 98.53 98.64 98.53 98.65 98.65 98.46 98.75 98.65 98 98.65 98 98 98 98 98 98 98 98 98 98 98 98 98	98.80 96.72 98.48 98.48 97. L1000 Low 93.15 93.25 93.35	21038 2 51827 31040 26193 2619	214775 213516 238237 217731 096 Open Int. 1587 380 119 3 100% Open Int. 83820 103453 85038 37175 096 Open Int. 43977 57226 33408 14703 09% Open Int. 43977 57226 33408 14703 09% Open Int. 8020 8848 6848
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Sep Dec Mar III THEREE II THEREE III THEREE II	96.81 96.73 96.60 96.48 ONTH ISL Open 98.17 93.35 93.37 93.59 96.84 96.72 96.52 96.82 36.94 36.94 36.95 36.96 36.82 36.96 36.82 36.96 36.82 36.96 36.82 36.96 36.82 36.96 36.82 36.96 36.82 36.96 36.82 36.96 36.82 36.96 36.82 36.96 36.82 36.96 36.82 36.96 36.82 36.96 36.82 36.96 36.82 36.96 36.82 36.96 36 36 36 36 36 36 36 36 36 36 36 36 36	96.87 96.57 96.58 96.58 96.57 96.77 96.77 96.77 96.70 98.77 98.70	1 1 4 4 5 5 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6	0.013 0.005 0.005 0.007 0.001 0.001 0.001 0.007	98.61 98.75 98.64 98.53 98.64 98.67 186 (JFF) 93.22 93.46 93.67 98.72 98.72 98.72 98.73 98.73 98.73 98.73 98.73 98.73 98.53 98.53 98.53 98.54 98.53 98.54 98.55 98.55 98.56 98.56 98.57	98.80 96.72 96.98 98.48 98.48 98.48 93.15 93.15 93.55 93.75 93.75 93.75	21038 2 51827 31040 2 5193 2 5193 2 points of 10 0 0 0 m points of 21797 3 23373 3 16522 3 6647 4 Est. vol 0 17536 4 17536 5 2107 4 points of 10 0 17536 5 2107 5 21797 5 23373 5 24373 5 2547 6 1552 6 21797 6 21797 6 21797 6 21797 6 21797 6 21797 6 21797 7 22373 7 23373 8 247	214775 213516 238237 217731 096 Open Int. 1587 380 119 3 100% Open Int. 83820 103453 85038 37175 096 Open Int. 43977 57226 33408 14703 09% Open Int. 43977 57226 33408 14703 09% Open Int. 8020 8848 6848
Sep Dec Mar Sep De	96.81 96.73 96.60 96.48 ONTH ISL Open 98.17 93.35 93.37 93.59 96.84 96.72 96.52 96.82 36.94 36.94 36.95 36.96 36.82 36.96 36.82 36.96 36.82 36.96 36.82 36.96 36.82 36.96 36.82 36.96 36.82 36.96 36.82 36.96 36.82 36.96 36.82 36.96 36.82 36.96 36.82 36.96 36.82 36.96 36.82 36.96 36.82 36.96 36.82 36.96 36 36 36 36 36 36 36 36 36 36 36 36 36	96.8: 96.5:	1 4 4 5 5 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6	0.01 0.05 0.07 minutes (J. 10 0.07 0.07 0.07 0.07 0.07 0.07 0.07	98.61 98.75 98.53 98.53 98.63 98.63 98.63 93.46 98.72	98.80 96.72 98.48 98.48 97. DM3mi Low 93.15 93.25 93.35 93.35 93.35 93.45 93.45 93.56 93.56 93.56 93.56 93.55 93.56 93.57	21038 21038 21027 31040 26193	214775 213516 238237 217731 096 Open Int. 1587 380 119 3 100% Open Int. 83820 103453 85038 37175 096 Open Int. 43977 57226 33408 14703 09% Open Int. 43977 57226 33408 14703 09% Open Int. 8020 8848 6845 3815
Sep Dec Mar III THEREE II THEREE III	96.81 96.73 96.69 96.48 ONTH ISL Open 98.17 93.35 93.35 93.36 98.72 98.72 98.72 98.72 98.72 98.72 98.72 98.73 98.73 98.73 98.73 98.73 98.74	96.87.96.57.96.59.59.59.59.59.59.59.59.59.59.59.59.59.	1 4 4 5 5 4 4 5 5 6 5 6 6 6 6 6 6 6 6 6 6	0.01 0.05 0.07 100 100 100 100 100 100 100 1	98.61 98.75 98.64 98.53 98.64 98.65 98.64 98.64 98.65 98.65 98.65 98.65 98.72	96.80 96.72 96.93 98.48 98.48 98.48 93.15 93.15 93.56 93	21038 21038 21040 21040 26193 26193 26193 26193 26193 26193 2010 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	214775 213516 298237 217731 096 Open int. 1587 380 119 3- 100% Open int. 83820 103453 35036 S7175 096 Open int. 43977 57226 33408 14703 096 Open int. 43977 57226 33408 14703 096 Open int. 8320 8848 6345 3815
Sep Dec Mar III THREET II	96.81 96.73 96.69 96.48 ONTH SI Open 98.17 93.35 93.35 93.49 HONTH SI Open 98.72 98.	96.87.96.57.	1 4 4 5 5 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6	0.01 0.05 0.07 mmss 0.01 0.00 mmss 0.07 0.07 0.07 0.07 0.07 0.07 0.07 0.	98.61 98.75 98.64 98.53 98.64 98.65 98.64 98.64 98.65 98.65 98.65 98.65 98.72	96.80 96.72 96.93 98.48 98.48 98.48 93.15 93	21038 2 1627 3 1040 2 26193 2 26193 2 points of 10 0 0 0 m points of 6 21797 3 23373 3 16522 3	214775 213516 238237 217731 096 Open Int. 1587 260 119 3- 100% Open Int. 93820 103453 35138 37175 096 Open Int. 43877 57226 33408 14703 096 Open Int. 1/8 1/8 1/8 1/8 1/8 1/8 1/8 1/8 1/8 1/8

POUND SPOT Jun 3 19.8764 +0.0375 660 - 888 19.8274 19.8039 19.8229 3.2 19.7349 19.8234 +0.1158 437 - 448 58.7160 58.1010 58.1383 3.2 57.8243 10.7549 +0.0208 500 - 598 10.7632 10.7153 10.7294 2.8 10.8769 8.4649 -0.0231 592 775 8.5360 8.4520 9.5270 +0.0189 237 502 775 8.5360 8.4520 9.5270 +0.0189 237 502 775 8.5360 8.4520 9.5270 +0.0189 237 502 775 8.5360 8.4520 9.5270 +0.0189 237 502 775 8.5360 8.4520 9.5270 +0.0189 237 502 775 8.5360 8.4520 9.5270 9 3.2 56.3943 3.3 2.9 10.4654 2.8 102.6 105.2 82.2 105.4 103.8 87.2 102.6 102.6 102.2 98.5 83.4 77.A 73.J 0.3 1,0931 0.7 100.0 Adrica 2.1507 -0.0011 493 - 520 2.1617 2.1467 12.670 +0.0247 663 - 746 12.8962 12.6263 58.5842 +0.0399 054 - 230 58.6380 58.3720 15.5718 +0.0078 632 - 803 5.5606 5.5590 189.951 -0.228 611 - 0.91 191.190 190.010 14.1189 +0.0128 168 - 210 4.1228 4.1047 2.23762 +0.004 742 - 781 2.3804 2.3872 43.1358 +0.071 699 - 817 43.1853 43.0207 68.1361 +0.0121 340 - 382 6.1439 6.1162 2.3243 4.00121 340 - 382 6.1439 6.1162 2.3243 4.00121 595 - 438 2.3443 2.3868 7.3142 4.00121 595 - 189 7.3210 7.2872 1457.77 +2.9 323 - 230 1463.43 1453.20 45.7364 40.7390 4.1628 447 - 332 4.2200 3.8840 2.1501 0.3 2.1482 12.684 0.6 12.6534 188,891 6.7 186,881 6.5 178,086 6.3 131.0 2,376 0.1 2,377 -0.1 2,3841 -0.3



are implied by Mid-case in be The sucherge	क्षेत्र के क	nd the Dollar	Spor table	a derivad t	rom THE \	MAREU	TERS CLO	SING SPOT						Desc	SAMES	1990-100	L '	led by curre table are at
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Jun	3	BFr	DKr	FFT	DM	腔	L	R	NKr	Ĕş.	Pta	SKr	SFr	2	C\$	\$_	Y	Ecu
Belgium Denmark France	(BFr) (DKr) (FFr)	100 54.20 61.19	18.45 10 11.29	16,34 8,858 10	4.845 2.626 2.964	1.889 1.024 1.156	2582	2.955	20.00 10.84 12.24	489.3 265.2 299.4	409.2 221.8 250.4	21.76 11.79 13.31	4.031 2.185 2.466	1,715 0,930 1,050	3,859 2,091 2,361	2.807 1.521 1.717	325.8 176.6 199.4	1.347
Germany Ireland	(DM) (121)	20.64 52.95	3.800 9.768	3.374 8.653	1 2.565	D.39(983. 252	2 1.125 2 2.886	4.128 10.59	101.0 259.1	84.47 216.7	4,492 11,52	0.832 2.134	0,354 0.908	0.798 2.043	0.579 1.486	67.26 172.5	0.513 1.315
Italy Netherlands Norway	(L) (FI) (NK)	2,100 18.34 50.01	0.387 3.384 9.226	0,343 2,996 8,173	0.102 0.889 2.423	0.040 0.340 0.941	873.	7 1	0.420 3.668 10	10,27 89,76 244,7	8.592 75,07 204.6	0.457 3.992 10.88	0.085 0.739 2.016	0.038 0.315 0.858	0.581 0.708 1.830	0.059 0.515 1.404	6.841 59.77 162.9	0.052 0.456 1.242
Portugal Spain	(Es) (Pts)	20.44 24.44	3.770 4.508	3.340 3.9#	0.990	0.38	973,	1.114	4.087 4.887	· 100 119.6	83,63 100	4.447 5.317	0.824	0.351	0.789	0.574	66.59 79.83	0.508
Sweden Switzerland UK	(SK4) (SF1)	45.96 24.81 58.29	8.479 4.577 10.75	7.511 4.055 9.527	2.226 1.202 2.824	0.88 0.46 1.10	1162	1.352	9.190 4.961 11.66	224.9 121.4 285.3	188.1 101.5 238.6	10 5.399 12.68	1,852 1 2,350	0.788 0.426	1.773 0.957 2.249	1,290 0,696 1,696	149.8 80.84 190.0	1.142 0.616 1.448
Cenada USA	(ES) (ES)	25.92 35.63	4.781 6.574	4.236 5.823	1.256	0.489	1234	1.413	5.183 7.125	128.8 174.4	106.1 145.8	5.639 7.753	1.045 1.436	0,445 0,611	1.375	0.727	84.45 116.1	
Japan Ecu	m	30.69 40.25	5.662 7.426	5.016 6.578	1.487 1.950	0.580 0.780			6.137 8.049	150.2 197.0	125.6 164.7	6.678 8.758	1,237 1,622	0.526 0.690	1.184 1.569	0.861 1.130	100 131.2	0.762
Carish Koner. M D-MARK					_	rper 10;	Belgan F	ranc, Yen, En					BS (IMM)	Yen 12	5m per Y	en 100		
Jun	Open 0.5788	Latest 0,5808	Chang +0.003	25 0.58	10 0.1	OW 5778	Est. voi 47,565	Open int. 77,072	Jun		Open 0.8598	Lestest D,8830	+0.000	9 0.86	82 D.I		st. voi 13,249	Open int. 74,290

	Open	Latest	Change	Hiigh	Low	Est. voi	Open int
Jun	0.5788	0,5808	+0.0025		0.577B	47,565	77,072
Sep	0.5828	0.5845	+0.0025		0.5815	11,126	12,398
Dec	0.5866	0.5882	+0,0022	Q.5 8 82	0.5882	181	508
= \$W1	SS FRANC P	UTURES	(IMM) SFr	125,000 ;	ser SFr		
- Jun	0.6997	0.6979	-0.0014	0.7018	0.6976	20,961	40,114
Sep	0.7068	0.7057	-0,0018	0.7085	g.7060	1,375	6,319
Dec	-	0.7158	-	-	0.7150	13	452
HK	MIERE	ST RA	TES				
	INTERES						
LON	INTERES			One month	Three months	Six months	One year
LONI Jun 3 Intertrani	DON MO	NEY F Over- night	RATES 7 days	month 61 ₂ - 63 ₈	months	months 613 - 613	year 71 - 612
LONI Jun 3 Interbani Sterling	DON MC	NEY F Over- night	7 days	month 6½ - 6½ 6½ - 6¼	months 613 - 613 613 - 613	months 613 - 612 614 - 612	year 714 - 614
LONI Jun 3 Intertrani Sterling Treasury	k Sterling COs	NEY F Over- night	7 days	month 6 ¹ 2 - 6 ¹ 8 6 ¹ 6 - 6 ¹ 4 6 ¹ 8 - 6 ¹ 8	months 613 - 613 613 - 613 613 - 623	months 613 - 612 614 - 612	year 7¼ - 6¦2 633 - 6 3
LONI Jun 3	k Sterling COs	NEY F Over- night	7 days	month 612 - 638 613 - 614 613 - 613 614 - 613	months 613 - 613 613 - 613	months 613 - 612 614 - 612	year 7년 - 6월 6월 - 6월

 f_{i}

UK dean	ing bank ba	ea lending #	ste 64 bec				
			Up to 1 month	1-3 m <u>enth</u>	3-6 _months	6-9 months	9-12 months
Certs of	Tax dep. (£	100,000	212	5 ¹ 2	5	5	434
Platerence	ey 30, 1997. / mte for perk se Rate 7pc i	od May 1, 199 Irom Jun 1, 16	7 to May 30), 1997, Sci	epes IV & 1	/ 6.530pc. F	STREET, STREET
Reference House Ba	rate for park se Fiste 7pc SE MECOLITY	od May 1, 199 Irom Jun 1, 16 I STERLING	7 to May 30 197 2 PUTURI), 1997, Sci	2500,000	points of	100%
Reference House Ba	min for p <i>erk</i> se Fixte 7pc i	od May 1, 199 Irosa Juan 1, 16	7 to May 30 197 2 PUTURI), 1997, Sci	2500,000 Low	points of	100% Open int
Rolevénce House Ba	rate for park se Fiste 7pc SE MECOLITY	nd May 1, 199 man Jun 1, 16 Sett page 93,37	7 to May 30 197 2 FUTURI Charge +0.02	1997, Sci 188 (LIFFE High 93.38	2500,000 Low 93.35	points of Est. vol 20860	100% Open int. 110257
Richeránce House Ba TYPE Jun	mite for park se Flate 7pc i SE WOOL(*) Open	od May 1, 199 man Jun 1, 16 1 STERLINA Sett price 93,37 93,20	7 to May 30 197 2 FUTURI Charge +0.02 +0.05	1, 1997, Scr 188 (LIFFE) High 93.38 93.21	2500,000 Low 93.35 93.14	points of Est. vol 20860 39826	100% Open int. 110257 108665
Pioterence House Ba M. THES Jun Jun Sup	mite for parties Figure 7pc 22. WEONT 19 Open 93.35	od May 1, 199 man Jun 1, 16 1 STERLING Sett pace 93,37 93,20 93,04	7 to May 30 197 2 FUTURI Change +0.02 +0.05 +0.05	1, 1997, Sci 188 (LIFFE) High 93,38 93,21 93,05	2500,000 Low 93.35 93.14 92.98	points of Est. vol 20860 39826 16008	100% Open int. 110257 108665 98613
Piolerence House Ba	rate for perk se Rate 7pc GE WCONTY Open 93,35 93,17	od May 1, 199 man Jun 1, 16 1 STERLINA Sett price 93,37 93,20	7 to May 30 197 2 FUTURI Charge +0.02 +0.05	1, 1997, Scr 188 (LIFFE) High 93.38 93.21	2500,000 Low 93.35 93.14	points of Est. vol 20860 39826	100% Open int. 110257 108665

III SHORT STEPLING OPTIONS (LIFFE) \$500,000 points of 100%

9325 \$350 9375 Gal. vol. total, (0.14 0.02 0 Calls 4810 Pu	0.09 0.02 0 as 6971. Pro	(2.10 (2.03 (3.01 (3.01 (3.01)	0.03 0.16 0.36 open int.	0.32	0.31 0.49 0.72 5 175443
	В		ENDING	RA1	nes	
Adam & Com Alled Irish Be Officing Ansh Bank of Betos Bank of Cypin Bank of India Bank of India Bank of Scotk	pany 6.23 rik (GB) 6.23 acher 6.23 da 6.23 Vizcaya 6.23 us 6.23 no 6.23	Duncan Exeter I Financia GRober GRober GRober GRober GRober Habib 8 GHomb Hentabi C. Hoar	Bank Limited of & Gen Beni of Fleming & C ess Mahon lenk AG Zurk os Bank o & Gen Inv I	6.25 7.25 k 7.00 6.25 6.25 8.25 8.8.25 6.25	#Singer & Priod #Scritin & Wilms Scottleth Wildows TSB United Bank of I Unity Trust Bank Western Trust Whiteeway Late Yorkshire Bank	Sember 6.25 Sen Sect 6.25 Sent 6.00 6.25 Kumail 6.25 k.Pic 6.00 6.25 Staw 6.25

Chappeld Joseph & Sons 6.25

Lloyds Bark Midland Bank

6.25

6.25 6.25

Bat Blood Mild East

Coude & Co

@Booms Shipley & Collect 6.25

Cyprus Popular Bank 6.25

6.25 erativo Bank\$.25

H JAPANE	CREATEN 1		15 (PAM)	Yen 12.5m	per Yen 10	10	
	Ореп	Ledost	Chang	e High	Low	Est, voi	Open int.
Jun	D.8598	0,8830	+0.000	9 0.8682	0.8571	13,249	74,290
Sep	0.8715	0,8748	+0.004	3 0.8764	0.8703	4,405	8,858
Dec	-	0,8870	+0.005		-	16	883
■ STERLE	NQ FUTU	NES (IM	M) £82.5	00 per £			
Jun	1.6344	1,6370	+0.002		1.6310	6,209	36,219
, Sep	1.6314	1,6340	+0.003		1.6304	618	5,195
Dec	-	1,6290	+0.001	1.6310	-	2	117
EM\$ E	JROPE	AN C	URRI	ency u	NIT RA	TES	
7m S	Ecr ce		ate	Change	% +/- from		
. ——	rates		nst Ecu	on day	Ceur 1500		
Ireland	0.79870			+0.006512	-4.47	7.18	
Portugal	197.39		18.105	+0.445	0.36	2.0	
Finland	5.8542		89892	-0.02047	0.56	1.6	
finity .	1906.4		27.89	~3.91	1,12	1,2	5 –8
Spein	163.82		35.688	-0.03	1.14	1,2	4 –8
Dennyark.	7.3455		46972	+0.00336	1.69	0.6	
Netherland	a 2.1697	79 2.	20717	+0.00142	1.72	0.6	8 -13
Germany	1,9257		96151	+0.00094	1.86	0.6	
Austria	13,548		3.8066	+0.0072	1,91	0.4	
Balakan	39.719		0,4875	+0.0156	1.93	0.4	
France	6.4586		81298	+0.00082	2.39	0.0	
ł				. 44000		-	
NON EPM						_	_
Graece	295.26		12.628	+0.015	5.88	-3.3	
UK	0.79310			-0.001247	-12.40	. 16.8	
Ecu central rate Percentage day beamen two a currency, and to contral rate, 17	maes alle for	Four & cost	ibie chanc	m denotes a m	esk amercy.D	liverance et	the ratio
E PHELAD	ELPIEA S			<u>සා,250 (</u>	perts per po		
Strike		— CVI	_	_		PUTS -	
Price	Jun	Ja	4	Aug	Jun	,td	Aug
1.820	1.86	2.5	51	3.06	Q.42	1.12	1.83
1,630	1.16	1,5	94.	2.51	0.70	1.53	2.28
1.840	0.89	1,4	44	2.08	1.21	2.06	2.76
Previous day's	s vol., Calls	n atu9 afun	As , Prev.	chyfe open ir	rt., Carts n/a i	futo n/a	-
# PHISAD	ELPHEA S	E D-MA	RK/S C	PTIONS D	M62.500 (\$	per DM)	
\$trike		CAI	13			PUTS	
Price	Jun.	J	34	Aug	Jun .	Jul	Aug
0.575	0.64	1.0	20	1.29	0.31	0.55	0.74
0.580	0.38	0.7		1.04	0.53	0.79	0.97
0.585	0.22	0.5	_				
			_	0.81	0.82	1.08	· 1.22
Previous day!	val, Cels	n/a Puta n	AL, Prey.	day's open ir	et, Calls n/s i	144 H/L	
1							
THREE	MONTH E	urobo	LLAR (I	MM \$1m p	oints of 100	7%	
]	Open	Latest	Chang	e High	Low	Est. voi	Open int.
Jun	94.19	94.19	-	94.19	94.18	34.838	406,812
Sep	94.00	94.00	-	94.01	93.00	77,190	477,721
				91.79	93.77	102.574	377 526

	_		CALLS -		_		PUTS —	-
Price	Ju	n.	Jul	Aug	Jur	7	,td	Aug
1.820	1.8	36	2.51	3.06	0.4	2	1.12	1.83
1,630	1.1	16	1.94	2.51	0.7	0	1.53	2.28
1.840	0.6	90	1.44	2.08	1.2	1	2.06	2.76
Previous d	ay's vol., Ca		Osmoka, Pr	ev. day's o	pen int., C	ada, n∕a i	us na	
■ PHS/	DELPH!	\ SE D-	MARK/	OPTION	RS DM62	.500 (\$	per DM)	
Strike			CALLS -			_	PUTS	
Price	Ju	S	Jul	Aug	J.E		Jul	Aug
0.575	0.6	34	T.00	1.29	0.3	1	0.55	0.74
0.580	0.3	38	0.73	1.04	0.5	3	0.79	0.97
0.585	0.5	22	0.52	0.81	0.8	2	1,08	1.22
Previous di	ay's vol., Ca	da n/a Pu	tan ka, A	ev. day's o	pen Int., G	ella n/a i	hat n/a	
			-				- :-	
S THRE	E MONTI	I EURO	لملباه	R (IMM) S	lm point	of 100	796_	
	Open	Late	t Cha	inge H	fgh	Low	Est. voi	Open int
Jun	94.19	94.1	9 .	- 94	19 9	4.18	34.838	408.812
Sep	94,00	94.0	io .			33.Dg	77,190	477,721
Dec	93,77	93.7	18 .	- 93	1.79 8	3.77	102,374	377,526
M US TR	YARIAN	28LL F	פועדט	CANAD S	in per 10	20%		
Jun	94.95	94.8	5 +0	.01 8±	.85 9	14.94	371	4,097
Sep	94,64	94.6	4 +0	,01 94	.64 9	4.64	357	5,707
All Open Ir	nteresi figs.	are for p	revious d	4				
M EURO	MARK O	PITOHE	(LIFFE)	DM im po	ints of 10	30%		
Strike			CALLS				PU78 -	
Price	Jun	Jul	Aug	Sep	Jun	Jul	Aug	-Sep
9675	0.06	0.04	0.05	0.07	0	0.04	0.05	0.07
97700	9	0.01	0.01	0.01	9.18	0.26		0.26
9725	0	0	0	0	0.44	0.60		0.50
East wat to	cad, Cadle 60	951 Pjuba	13015. Pr	wious de/	open in	t, Cath	490376 Pu	ts 302578
R EURO	SWISS P	RAJIC (PPTION		SFr 1mp	olnta o	100%	
Strike			، عنين				PUTS -	
	فد		Sep	Dec	71	-	Sep	Dac
Price			20.0	0.08	0.07	7	0.23	0.44
Price 9575 9900	0,0		0.03	0.08	0.2		0.43	0.64

1996 dividend payment

Ordinary "A" shares FF 3.50 plus FF 1.75 tax credit. Preferred "B" shares FF 4.75 plus FF 2.375 tax credit. Record date: June 3, 1997.

Shareholders have the option of receiving dividend payments in ordinary "A" shares or in cash. The option period is from June 3 to June 23 inclusive. For shareholders who do not respond via their financial intermediary during the option period, payment will be made in cash.

 Ordinary "A" shares paid out as dividends will have an issue price of FF 169 and will carry full dividend rights as of January 1, 1997.

 Dividend in cash will be paid as of July 4, 1997. For additional information, contact: +33 1 47 68 00 97

RHÔNE-POULENC



Korea International Merchant Bank US\$30,000,000

Negotiable United States Dollars Floating Rate Certificates of Deposit due Nov 1999 In accordance with the provisions of the Certificates of Deposit, notice is hereby given that for the period from 30/5/97 to 28/11/97 the Certificates will carry an Interest Rate of 6.4625% per amount ca

US\$8,167.88 per Certificate of US\$250,000

Standard & Chartered

Standard Chartered Bank As Reference Agent

NOTICE To the kolders of the ot BANCO BNL DO BRASIL S.A. U.S. \$20,000,000 Principal Amount 10.75% Notes due November 27, 2001 lasted under the U.S. \$80,000,000 Euro-Medium Term Note Pr

Titrilly Timeer 18 Thomas More Street London Et 677, England SÁO PHULO PRIPRO AG

The Financial Times plans to publish a Survey on South Africa

on Tuesday, October 21 For further information, please contact:

Gareth Jones

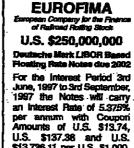
Tel: +44 171 873 3238 Fax: +44 171 873 3595

or Chris Manson in South Africa

Tel: +27 11 463 2250

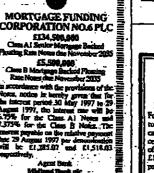
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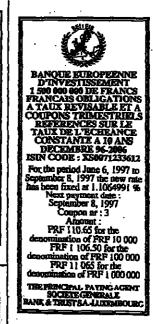
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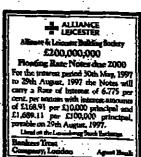


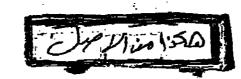
U.S. \$137.36 and U.S. \$13,736.11 per U.S. \$1,000, U.S. \$10,000 and U.S. \$1,000,000 Notes respec-tively. The relevant interest Payment Date will be 3rd September, 1997. Swiss Bank Corporation

MORTGAGE FUNDING CORPORATION NO.6 PLC £134,586,060 £5,500,008









Liffe considers potato futures revamp

By Gary Mead

London's potato futures contract may be relaunched, in an attempt futures exchange, ditched its the Dutch model, which has been to persuade the UK's large potato processors to start using it. Commodities officials on the

London International Financial Futures Exchange hope that a new - which could be launched by the late summer would become more heavily traded than the current one.

The aim of any revamped potato fluctuations, the average daily volcontract would be to ensure that it ume in May was 113 contracts.

does not go the way of the French version, which was closed down last month. Matif, the Paris-based commodity experts are looking at potato contract because of declining interest in the market.

reached a peak of 134 daily trades the Agricultural Futures Exchange in 1994 but has recently sunk as low as 20 a day. On Liffe, where the contract is

used only by potato farmers and merchants to hedge against price

in existence since 1958 and so far this year has had daily average After starting in Lille in 1984 it trading of 328 contracts. In 1995, in Amsterdam saw a total of 165,312 potato contracts traded, against Liffe's 26.584.

As a guide to what a successful

Analysts say there are two key reasons for the success of the Dutch contract. First, it uses only one type of potato, against seven types at Liffe. More important, the big Dutch potato processors - as well as potato farmers and merchants - use the contract for hedging, providing liquidity for the con-

In the UK, where the processing sector of the potato market is currently growing at an estimated 5 per cent a year, the leading companies have so far shunned Liffe's potato contract. The current rock-bottom UK prices of 220 a tonne are also mitigating against large-scale interest in the contract.

inflation-fuelling expansion

of the monetary base, it was

obliged to soak up capital

inflows by issuing domestic

debt. As the burden of debt

became unmanageable, it

moved to slow capital flows

by, among other measures

markets.

this vear.

blocking access to futures

The context of last

month's change was quite

different. As interest rates

have fallen over the past two

vears, so has the attractive-

ness of Brazilian fixed-

Meanwhile, the strength of

the Brazilian Real has pro-

duced a growing current

account deficit that econo-

mists say could reach \$35hn

"Naturally the BM&F is

looking on the positive side.

and this kind of change is

always welcome," says Mr

Mauro Schneider, economist

used as a pawn in the gov-

ernment's wider strategy,

the BM&F is confident

income investments.

Liffe may decide to reject a revamp, and instead step up mar-keting and educational efforts on behalf of the existing contract. It said the launch of the British Potato Council at the end of this month, in place of the Potato Marketing Board, may help alter the perception of the current contract.

"Deregulation of the inherently volatile nature of potato prices will hopefully make the potato industry ss the benefits of Liffe's contract." said Mr Clive Furness, director of commodity products.

Australia

harvest

By Niidd Tait in Sydney

sees record

Australia is set to notch up

record crop production for

1996-97, at 39.2m tonnes, the

Australian Bureau of Agri-

culture and Resource Eco-

nomics, the government-

owned agency, forecast yes-

terday. If correct, this would

represent an 18 per cent

Meanwhile, recent rain on

Australia's east coast should

allow winter crop plantings

to top 18m hectares in 1997-98, with the wheat area

standing at about 11.1m

hectares, only 2 per cent

"On the basis of current

planting intentions and

through to harvest, total

lia in 1997-98 is forecast to be

almost 19.2m tonnes.'

This would be a significant

reduction from the record

23.6m tonnes of wheat likely

to be produced in 1996-97.

but still well ahead of the

previous year's 16.5m

ABARE conceded that

despite the recent planting

record, of 1983-84.

down on 1996-97.

ABARE suggested

Mining groups prefer M&A to exploration with 1994, meant that com-

By Kenneth Gooding, Mining Correspondent

The global mining industry spent a record \$14bn on mergers and acquisitions in the year to May 1997, according to an analysis by the Raw Materials Group, the Swedish consultancy.

RMG says mining groups buy other companies to avoid the costly, risky and long exploration phase of a mining project. Total annual global expenditure on mining exploration amounts to only \$4bn.

At the same time, investors are putting a premium on growth in the mining industry, particularly for North American gold producers.

Consequently, although there has been a noticeable fall in the number of deals since the Bre-X scandal began to develop early this increase on the previous year, merger and acquisition activity can be expected to remain at a relatively high level in 1997.

In its Who owns Who in Mining 1997, published by market analyst Roskill, RMG analyses the ownership, affiliations and output of 7,000 mining and refining companies in 1995 and ranks the top 50 in terms of the

Higher copper and nickel

assuming normal rainfall value of their output. prices in 1995, compared £230 or US\$160. wheat production in Austra-

Barrick Gold of Canada for example, dropped six places to 15th. In contrast, Asarco, the US copper producer, moved up from 13th to 8th position and Inco, the world's biggest nickel group, jumped four places into the top 10. Phelps

panies producing these met.

als moved up the table

while, as the gold price felt,

so did the ranking of gold

producers.

Dodge, another US copper group, moved from 10th to 7th place. RMG points out that although - in terms of the value of minerals produced -Anglo American Corporation of South Africa remains the world's biggest mining group, its share of total world output fell from 8.51 to

7.78 per cent between 1994 and 1995. Rio Tinto (formerly RTZ-CRA) is gradually catching up with Anglo and, RMG notes, Broken Hill Proprietary. Australia's biggest corporation, will move closer to Rio Tinto when the 1996 table is compiled, after BHP's acquisition of Magma Copper of the US.

Who owns Who in Mining 1997, from Roskill Information Services, 2 Clapham Road, London SW9 0JA, UK,

Western world mining: 1995 Top 10 (%)

Controling company/state	Country	Approx shar of total valu		
Angio American	South Africa	7.78		
Rio Tinto (formerly RTZ)	UK	5.70		
	Australia	3.43		
State of Brazil (mainly CVRD)	Srazil .	3.18		
States of Galle (Cocletics and Enems)	Chile.	2.90		
Gencor	South Africa	1.92		
Phelpe Dodge	USA	1.72		
Asarco	USA	1.64		
Presport Memoria Copper & Gold	USA.	1.88		
Inco	Canada	1.47		
Source: Plan Materials Data				

Volatile trading in coffee

MARKETS REPORT

By Gary Mead

The rollercoaster ride in coffee futures continued yesterday, with the benchmark July contract on the London International Financial Futures Exchange soaring by \$170 a tonne at one stage. Dealing had calmed somewhat by the close, and the July future closed up \$40 at

Trading in arabica coffee futures on New York's Coffee, Sugar and Cocoa Exchange was equally volatile; in early dealing the July future rose to 268.50 cents a pound then retreated to 256.40 cents, up 2.45 cents on the day but considerably lower than last Friday's 20-year peak of 318 cents.

In metals, palladium was higher in London at vesterday afternoon's "fix", up \$18.20 at \$188.70. Base metals on the London Metal Exchange traded generally lower, with the price for three-month copper ending the day \$6 lower at \$2,479 a

Nickel. however, was boosted by overnight news of industrial action at Inco's Sudbury plant in Canada. The price for three-month nickel on the LME closed at \$7,180 a tonne, up \$155.

eregulation delights BM&F

World derivatives exchanges

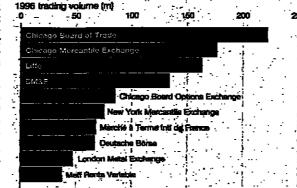
razil's futures exchanges were pleas-Dantly surprised last month when the government edged open the door to for-eign investors, allowing them to hedge equity investments for the first time since

Officials at São Paulo's Commodities and Futures Exchange, the BM&F, see the move as the first stage in a gradual opening to foreign capital that will allow the exchange to take a leading role in the integration of South America's financial and commodities markets.

They may be right. But the government's timing suggests its real concern is with the country's growing current account deficit. which reached 3.9 per cent of gross domestic product in April, and that it is happy to use the markets, whether it benefits them or not, to achieve its monetary policy objectives.

Last week's change applies to capital entering the country through a channel known as Annex IV, which allows investment in Brazilian equities free of a financial operations tax charged on fixed-income investments. It ends restrictions imposed in August 1995 on

the grounds that investors were using Annex IV to con-"boxed" hedge struct operations that amounted to fixed-income instruments. Mr Manoel Cintra, president of the BM&F - which is



the world's fourth busiest son not to allow foreigners futures exchange, trading a back in," he says. "We have daily average of 580,000 con- been talking to them about tracts in April - says the this and we want to talk move will increase the more about capital flows, exchange's contract volume about how the exchange can as much as 30 per cent. For- ease the entry of foreign eigners who have been hedg- investors. ing their Brazilian equity investments elsewhere will. he argues, return to the

country. This will bring more liquidity and put us in a better position to compete with foreign exchanges," he says. "From the broker's point of flows, he may have touched view it opens new possibili- the core of the government's ties and allows him to reach motives. new clients."

ment has seen that there is monetary policies. no longer any monetary rea-

VI sion was not related to concern over the current account and that the latest change is here to stay. But in talking about capital

The government stopped The risk of investors' con- investors from using Annex structing boxed operations is IV funds in equity hedges in lower than it was, he argues. August 1995, when the rate as Brazil's interest rates of foreign capital flows was have fallen. "The govern- threatening to undermine its

at ING Barings in São Paulo. "Nevertheless, the timing of both changes shows they are r Cintra insists the government's decireally concerned with capital flows. Even if it does find itself

> greater openness to foreign funds is on the way. It already has an office in New York and its officers pay frequent visits to foreign institutional investors, even though their access to the exchange remains extremely limited.

In order to prevent an Jonathan Wheatlev

concerns about follow-up winter rainfall, with some seasonal indicators being

less than favourable".

rains, there were still "some

COMMODITIES PRICES

BASE METALS LONDON METAL EXCHANGE (Prices from Amalgamated Metal Trading)

Cash

1553-54

3 mths

1577-78

Previous	1585-86	1602-03
High/low AM Official	1560.5-61	1607/1575 1579.5-80.5
Karb close	1990.5-61	15/9.5-61.3 15/7-78
Open Int.	265,450	1011-10
Total daily turnover	118,384	
M ALUMANIUM AI	LLOY (5 per to	nne)
Close	1445-55	1473-74
Previous	1455-65	1480-85
High/low		1480/1470
AM Official Karb close	1450-52	1470-75
Open Int.	5.078	147 5-8 0
Total daily turnover	798	
E LEAD (\$ per to	rne)	
Close	610-1	
Previous.	611-13	622-3 623.5-4.0
High/low	G	627/620
AM Official	609-9.5	621-1.5
Kerb close Open int.	95 4- 9	626-7
Total daily turnover	35.218 7.295	
MICKEL (S per		
Close		
Previous	7055-65 6915-25	7165-70 7025-30
High/low	40.025	7250/7050
AM Official	6965-70	7075-85
Kerb close Open Int.	53.012	7180-90
Total daily turnover	20.653	
TEN (\$ per tonne		
Close	5815-25	E030 7E
Previous	555D-60	5670-75 5605-10
High/law		5710/5620
AM Official	5560-85	5835-40
Kerb close Open Int.	16.493	5660-70
Total daily tumover	4,547	
ZINC, special b	igh grade (S p	er tonnei
Close	1299-300	1324-25
Previous	1303-04	1327-27.5
High/low AM Official	4000	1336/1320
Kerb close	12 99-9 9.5	1325-26 1327-28
Open int.	90,540	· 3E / ~20
Total daily tumover	39,462	
COPPER, grade	A (\$ per tonn	a)
Ciosa	2535-38	2478-79
Previous	2539.5-41.5	2483-84
High/low AM Official	2535 2535-36	2502/2470 2477-78
Kerb close		2478-79
Open int.	138,503	
Total daily turnover	53,266	
LME AM Officia		
Spot: 1.6361 3 miles: 1.63		
M HIGH GRADE C	OPPER (COM	EQ

117.10 +0.10 117.10 118.00 352 2.828 117.10 -0.05 117.60 116.16 7.474 33,117 115.25 -0.20 115.30 114.80 224 2.256 113.85 -0.35 114.40 112.20 1,216 6,985 111.90 -0.45 - 6 1,126 110.10 -0.20 - 23 1,214 9,733 91,891 PRECIOUS METALS LONDON BULLION MARKET (Prices supplied by N M Rothschik

£ aquiv SFr equiv \$ price 343.90-344.20 343.80 210.34 491.53 343.55 209.93 493.34 Day's High Day's Low 344.30-344.60 342.20-342.50 Previous close 343.80-344.30 Loco Lein Mean Gold Lending Rates (Vs USS)

474.50 292.30 477.55 296.15 305.16 6 months 496.15 Gold Colm \$ price 344-346 £ equiv. 210-211 49-51

Precious Metals continued GOLD COMEX (100 Troy oz.; \$/troy oz.) -0.7 344.5 342.5 602 1,751 -0.8 347.1 345.0 9,529 63,722 -0.8 349.5 348.0 82 7,426 -0.8 352.3 350.2 2,990 25,997

- 489 7,628 - 25 3,823 PLATINUM NYMEX (50 Troy oz.; \$/troy oz.) 401.7 +3.0 408.5 399.0 1,869 14,060 390.2 -4.5 397.0 390.0 101 4,773 E PALLADIUM NYMEX (100 Troy oz.; \$/troy oz.) 165.65 +3.85 169.00 164.00 3 417 165.65 +3.85 - - - 95 SELVER COMEX (5,000 Troy oz.; Centertroy oz.) 490.0 +24 488.0 488.0

ENERGY 20.25 -0.63 21.02 20.28 26,617 99,150 20.52 -0.50 21.05 20.50 5,479 32,579 20.50 -0.57 21.02 20.47 2,831 19,482 20.45 -0.57 20.98 20.45 1,230 18,272 20.48 -0.48 20.92 20.44 1,332 34,786

9.00 -0.52 19.45 19.50 12.884 44.454 19.30 -0.38 19.59 19.13 12.884 44.454 19.30 -0.38 19.59 19.28 1,626 12.466 19.38 -0.32 19.72 19.38 843 8,827 19.42 -0.28 19.72 19.41 138 5,177 19.30 -0.36 18.68 19.30 1,440 11,947 sh III HEATING OIL HYMEX (42,000 US gails, c/US gails,) 56.10 -1.39 57.20 55.90 705 9.386 56.80 -7.44 57.90 56.75 140 9.210 57.60 -1.34 58.25 57.80 186 8.578 58.35 -1.29 59.30 58.25 369 13,337 14,236122,078 170.00 -4.00 173.50 169.75 8,275 18,747 171.50 -3.75 175.25 171.50 5,723 13,744

171.50 -3.75 175.25 171.50 5,723 13,744 173.50 -3.50 176.00 173.50 1,472 8,504 175.75 -3.25 178.00 178.75 701 5,015 178.00 -3.00 180.00 178.00 778 4,821 179.50 -2.75 181.50 179.75 300 2,046 10,209 85,425 MATURAL GAS KYMEX (10,000) mmBhu; \$/mmBhu) ~ 2,135 2,080 28,137 39,854 2125 -0.004 2140 2090 6,771 22,590 2120 -0.011 2140 2090 3,048 18,356 2.135 -0.012 2.155 2.105 3,395 19,756 2.275 -0.004 2.285 2.245 1,206 8,293 2.400 -0.004 2.410 2.380 1,381 12,125

E UNLEADED GASOI INF MYMEX (42,000 US galls.; c/US galls.) Price change loga Low low en 61.30 -1.69 850.6 61.15 8.504 43.510 60.35 -1.62 61.90 80.25 2.056 12.830 59.65 -1.42 81.05 59.60 851 5.202 59.20 -1.12 59.10 58.00 53 3,190 57.30 -1.32 58.00 57.30 79 1.737 57.80 -0.62 58.00 57.50 54 3.954 12,228 77,861

GRAINS AND OIL SEEDS WHEAT LIFFE (100 tonnes; 2 per tonne)

174 88.35 +0.25 88.35 88.35 90.60 +0.50 90.60 90.00 92.60 +0.50 92.50 92.50 3,535 1,564 818 444 7,894 94.60 +0.50 M WHEAT CBT (5,000bu min; cents/60b bushel) 362.00 +1.25 365.00 360.50 10,121 46,641 388.00 +0.25 371.50 366.50 2,048 15,611 378.50 +0.25 383.00 378.00 1,771 16,766 381.50 +0.50 384.00 380.00 107 2,010 30 81 119 570 MAZZE CBT (5,000 bu min; cents/586 bushel) 277.50 +3.50 278.25 274.00 28,551114,077 262.00 +2.25 262.50 258.00 3,279 32,059 258.75 +1.50 260.75 257.00 14,542108,959 265.75 +1.75 266.50 263.25 712 13.217 269.50 +1.75 269.50 267.50 71 1,409 273.00 +1.75 273.00 270.00 71 3,387 **6.3万 278/62** BARLEY LIFFE (100 tonnes; £ per tonne) Sep Hov Jan Mar May Total 86.25 -0.25 86.25 86.25 8 13 16 3 3 152 16

94.25 -0.25 94.00 94.00 III SOYABEANS CST (5,000bs min; cests/60b bestel) 860.00 -15.25 875.00 859.00 41,069 87,533 813.00 -15.00 829.00 812.00 8,695 25,548 728.75 -3.75 736.00 728.50 1,444 9,107 691.25 -696.75 588.50 14,842 50,696 965.00 +1.00 889.50 882.00 291 6,685 887.75 +0.75 703.00 898.50 301 1,461 86,701 182,717 SOYABEAN OIL CET (80,000lbs; cents/lb) 23.65 -0.28 24.22 23.80 8.052 46,857 24.05 -0.25 24.40 24.02 1.573 15,978 24.25 -0.25 24.56 24.20 24.2 5.78 24.25 -0.27 24.56 24.25 184 9.251 24.57 -0.03 24.80 24.55 18 1.351 12.254 24.57 -0.03 24.80 24.55 12.227 101.802 12,522 101,502 SOYABEAN MEAL CET (100 tons; \$/ton)

283.1 -4.1 287.0 282.3 12,750 45,838 264.7 -3.3 268.5 284.2 4,494 17,951 245.0 -2.1 247.5 244.5 1,446 11,478 230.0 -2.5 233.5 230.0 533 10,693 21,720 112,181 ■ POTATOES LIFFE (20 tonnes; £ per tonne) Jen Kov Har Apr May Total 167 827 167 838 M FREIGHT (BIFFEX) LIFFE (\$10/Index point) +10 1170 1160 22 - 1120 1100 186 +1 1122 1118 202 +5 1310 1305 12 22 413 186 1,246 202 25 12 589 - 57 422 2,329

PUTURES DATA All futures data supplied by CMS.

Just Just Jag Čet Jan Total

餌

1305 1330

Minor metals

Close Pres 1260 1267

Mintor metals
European free market, from Metal Bulletin,
5 per 6 in warehouse, unless otherwise
attated (last week's in brackets, where
charged). Antimony: 89.65%, \$ per tonne,
2.125-2.200 (2.150-2.250). Blamutic min.
99.96%, torne lots 3.65-3.80 (3.45-3.70).
Cadmium: min. 99.95%, certs a pound.
55.00-60.00. Cobate MB free market, min.
99.8%, 24.00-24.80 (24.50-25.50); min.
99.8%, 24.00-24.80 (21.25-22.00). Mercury: min. 99.99%, \$ per 78 ib flask,
159-168. Molybdenum: drummed molybcic oxide, 4.60-4.70. Selentum: min
99.5%, 2.20-2.70 (2.30-2.80). Tungstee
ore: standard min. 55%, \$ per torne unit
(10xg) WO₃, cit, 45-55. Vanadium: min.
98%, Cif. 3,75-3.83. Uranitum: Nuexcounrestricted exchange value, 10.65 (11.25).

III COCOA LIFFE (10 tomes: \$/tomes

1017 1038 1028 1038 1050 1062 1023 1041 1030 1039 1051 1032 2,232 16,635 1023 322 29,057 1035 925 31,755 152 16,220 20 5,141 1048 III COCOA CSCE (10 tonnes; \$/tonnes) 1458 1441 4.570 25.620 1493 1477 1,259 15,538 1521 1512 216 18,616 1545 1545 48 21,176 1567 1566 101 8,497 E COCOA (ICCO) (SDR's/tonne) Prev. day 1151.71

COFFEE LIFFE (5 tonnes; S/torne) 2160 +50 2280 2026 3,074 19,973 2190 +55 2305 2040 4,922 20,986 2200 +50 2295 2060 1,783 8,990 2180 +45 2238 2036 323 2830 2180 +45 2210 2080 16 343 2160 +45 - - - 28 19,113 52,780 10,118 52,780 COFFEE 'C' CSCE (37,500lbs; cents/lbs) 264.20 +10.25 268.50 249.00 7,823 11,681 254.50 +10.25 266.50 249.00 (,652 11,901)
253.05 +6.50 256.00 222.00 3,772 6,125
197.05 +8.10 197.95 187.50 669 4,807
178.00 +6.05 180.95 172.50 334 2,165
172.05 +6.05 171.00 167.00 23 449
164.00 +0.95 — 11 142 COFFEE (ICO) (US cents/pound) Jun 2 Pres. da Comp. daily 182.84 203.8 15 day average 189.09 187.8 III WHITE SUGAR LIFFE (50 torines; \$/tonne)

Pres. day 203.61 167.83 30.8 +3.0 39.7 327.5 2.5-2 15,036 321.7 +3.2 321.3 318.8 783 7,172 318.7 +3.4 318.0 316.0 510 2,277 318.0 +3.2 37.1 315.6 419 1,927 315.5 +2.7 315.0 313.5 72 722 313.8 +3.1 314.0 314.0 6 597 SUGAR '11' CSCE (112,000fbs; cents/fbs) 11.48 +0.14 11.54 11.3814.647 74.547 11.29 +0.10 11.30 11.20 6.881 52.513 11.15 +0.06 11.17 11.09 2.874 28.373 11.06 +0.06 11.06 11.01 345 6.596 Jef Oct Mar Mary Jef Oct Total 10.96 +0.06 10.96 10.93 182 3,108 10.84 +0.06 10.89 10.82 57 854 73.42 +0.06 73.65 72.9012.875 33.838 74.95 +0.10 75.00 74.55 745 4.773 75.76 +0.03 75.90 75.39 45.99 27,142 76.95 +0.05 76.95 76.65 289 4.196 77.80 +0.07 - 97 1.112

77.95 +0.05 77.80 77.55 ■ ORANGE JUICE NYCE (15,000lbs; cents/lbs) 77.50 +0.45 79.50 76.60 2,288 16,712 79.55 +0.45 81.25 79.00 1,017 7,858 82.10 -0.10 83.50 81.70 195 3.755 84.80 +0.10 85.90 84.75 94 1,670 87.40 +0.10 87.90 87.90 15 1,199 VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CET, NYCE, CME, CSCE and IPE Crude Oil are totals are for all traded mon INDICES Reuters (Base: 18/9/31 = 100)

■ CRB Futures (Bass: 1967 = 100) Jun 2 May 30 month ago 248.64 250.96 E GSCI Spot (Base: 1970 = 100) May 30 moeth ago year ago 197.37 194.76 203.52 Jun 2 195.51 -1,975 -20 -525 -125 +12 -325 +96 734,600 61,560 132,500 Aluminium alloy Copper Lead Nickel 117,825 52,326 422,325 12,355 MEAT AND LIVESTOCK I LIVE CATTLE CME (40,000bs; cents/lbs)

Sett Day's 64.225 -0.075 64.400 63.825 9.531 45,157 67.575 -0.450 68.000 67.375 1,828 20,802 70.225 -0.400 70.550 70.000 958 10,653 71,025 -0.250 71,200 70,950 590 72,800 -0.275 72,950 72,700 66 80.775 -0.100 81.100 80.275 3,470 8,434 82.150 +0.350 82.300 81.225 4,535 10,137 80.025 -0.175 80.400 79.350 2,867 8,197

PORK BELLIES CME (40,000bs; cents/fbs) 89.250 +0.750 90.000 88.250 542 79.550 +0.175 79.675 78.700

LONDON TRADED OPTIONS Strike price \$ tonne --- Calls --- -- Puts ---E ALUMINIUM (99.7%) LME

2100 COCOA LIFFE Jul Aug

LONDON SPOT MARKETS E CRUDE OIL FOS (per barret) \$18.55-8.67 -0.315

\$19.57-8.59 \$19.00-9.02 -0.58 -0.52 \$219-221 Naphtha Jet fuel \$181-184 I NATURAL GAS & 10.35-10.45 +0.05 n (0171) 359 8792 10.500 ■ OTHER

\$349.15

-1.00 +7.50

+16.50

-1.0

+2.0

-0.17

-3.49° +3.41°

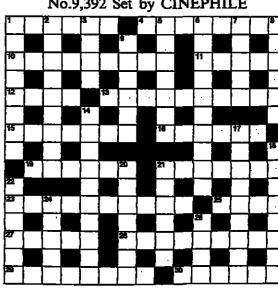
Gold (per troy oz)\$
Silver (per troy oz)\$
Ptathum (per troy oz.)
Palladium (per troy oz.) \$188.50 Copper Lead (US prod.) Tin (Kuala Lumpur) Tin (New York) 123.0c 45.00c 14.00r 262.5 Cattle (live weight) Sheep (live weight) Pigs (live weight); 91,20p 126,45p 101,93p

Lon. day sugar (raw) Lon. day sugar (wre) Barloy (Eng. feed) Maize (US No3 Yellow) Wheat (US Dark North) \$335.70 Unq Rubber (Jul)♥ Rubber (Aug)♥ Rubber (KL RSS No1) 72.50a 72.50p 286.5x Coconut Oil (Philis Pelm Oil (Melay.)§ Copra (Philis Soyabeans (US) Cetten Outlook'A' index Wooltops (64s Super) 545.0w \$412.5y 223.0

JOTTER PAD

CROSSWORD

No.9,392 Set by CINEPHILE



6 Source of the video in art,

possibly (10)

girl in CA (6)

ing team (6)

22 Neighbour of CA keeps me

company when entertain-

26 Mediterranean island

slightly altered without

acknowledgment in CA

Solution 9,391

8 Varied alternative to tum-

9 Sub-guttural skin holds

water - how does one drink it? (6)

A mute display in a cele-bration in CA (9)

fast (5)

ACROSS
CA initially to lend fresh
power to light (6) Hours and changes in CA 10 Producer of resin to cancel

its order (3,6)

11 Mature quietly - there's nothing French about it (5) 14 Gig's broken out in Baltic port (10) See 8 13 The saviour of CA (2,8) Masons, for instance, have a little way to mature if 18 Black spot or mole a man non-western (2-5)

16 Mark time on senility (6)
19 Crazy guy before 1 across
20 Encouraging part of bell? 21 Mythical creature's ordered 21 Busybody embracing little about: that's rich (7) 23 He balances incorrectly as the cheque isn't crossed

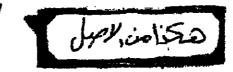
25 Tremendous backing for a stone (4) 27 The big question is an edition (5) 28 Plucky way with Italian food to include some ice

cream (9) 29 Attachment to stately home or Ulster loyalism? 30 CA's hat (6)

DOWN 1 Neighbour of CA destroyed bloom among people of intelligence (8) 2 Month a French dramatist almost came up in CA (9)

3. 12 English and German currency, a significant Centrifugally bound? (7)

محان المول

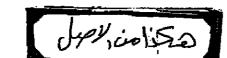


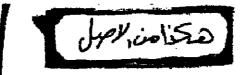
ng group r May ploration

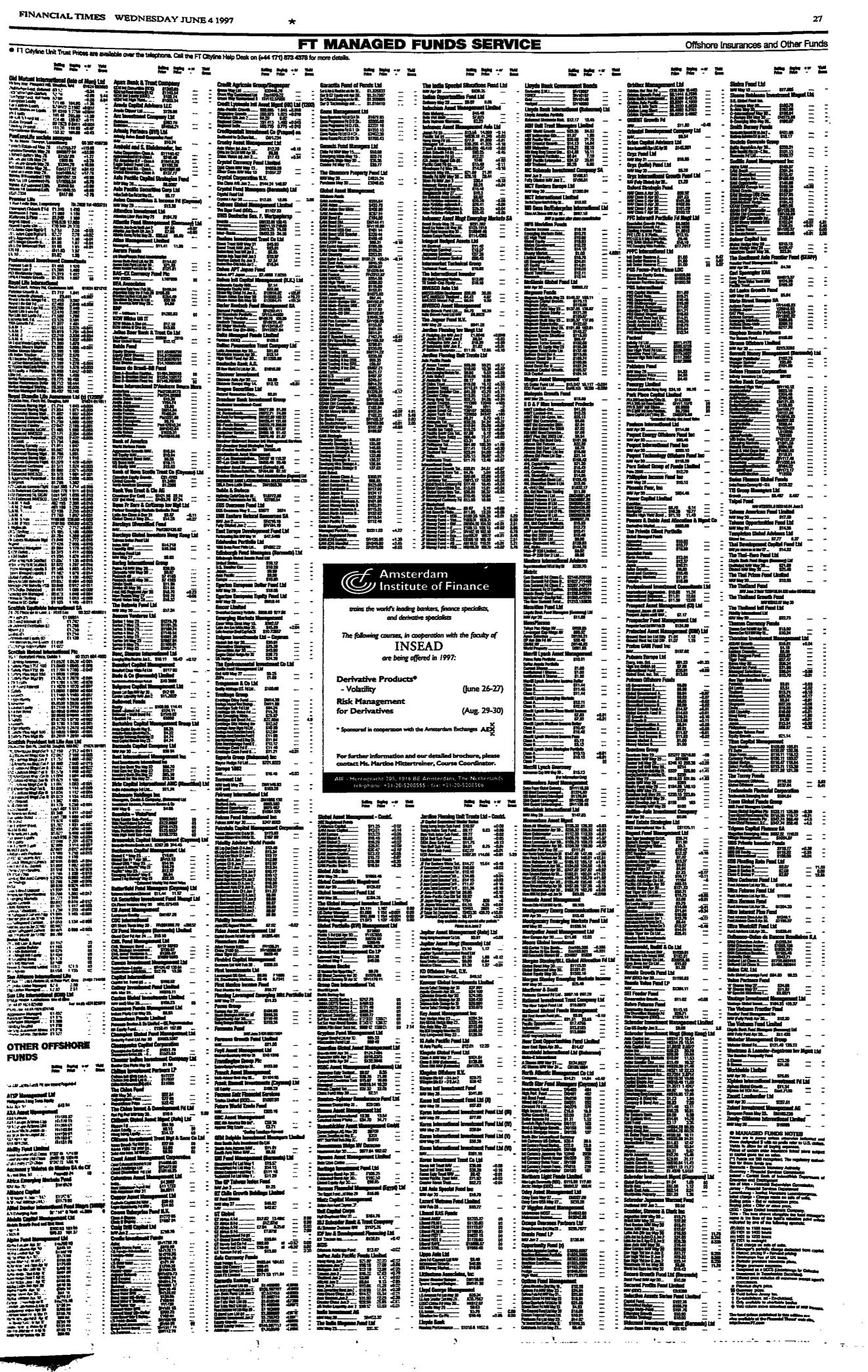
FT Cityline Unit Trust Prices are avail	lable over the telephone. Call the FT City	FT dine Help Desk on (+44 171) 873 4378 for	MANAGED F	UNDS SERVI	CE		Offshore Funds
OFFSHORE AND OVERSEAS	nt hem fellen budg out that Dept felle felse e Res Rottsschild Asset Management a Count	Selling Buyley ear that Price - Count	hal holes Selling Aloying + or Told Chapt Pelan Price - Cris CT Chahol - Pount	juli Jades Jelling Beging wor 'Hald Gloga Price Price - 6/5 'Tilenes d'Instrucció Libil	Colling During +17 Yeld Pales Friend Manuscrept (Ireland) Ltd	authe Bules + ar that Man Aim - Come Scottlick Method Ind Fond Managers Ltd	ach Maine Selling Buying +37 Vield Corps Petro Jelen - Brit Permetrasi Frient Managarre (Jerespe) Littl
BERMUDA (SIB RECOGNISED) Let most make the come	Fig. 1 (4) 40.00 5.20 5.20 5.20 5.20 5.20 5.20 5.20	CA Access Cases	GT Global - Contol. GT Stratege Stant B	Timey (trelact) Ltd 2022 Lover High Sevel, Duble 2 00 3531 7965613 US Hd (pr	Global Francists Fol Pic. \$10.57	K Early E E E E K Early E E E K Early E E E K Early E E K Early E E K Early E K K E K K E K E K E K E K E K E K E K E K E K E K E K E K E K E K E K E K E K E K E	Permetensi Frinch Managers (Jerusy) Ltd. 70 Box 63, Such Sant, S. Heller, Jacon (1534 687600) Personal Obsteen learns Accordance Fred 134 53 Box 67, Such Sant, S. Heller, Jacon (1534 687600) Personal Obsteen learns Accordance Fred 134 53 Box 67, Such Sant Sant Sant Sant Sant Sant Sant Sant
Photo Tipol (1905) 40001 100 302 200 40001 100 302 200 40001 100 302 200 40001 100 302 200 40001 100 300	148	Emerging Markets	SAMA Alex Inc. N. DIATOR. 19 SAMA Plant Act. H	Gal Managed Coursey 1087.336 273EN	Tatish Brader Cas	Societa Semenzia Grupp SSSM Peages Deservia Vigoros BS CS SSSM Stategy Deservia Prices 18 — — — — — — — — — — — — — — — — — —	Royal Bank of Scotland Fd Highs (James) Lid FO har 40, Outmon hom, it has, anny 1159 50741 Fo har 40, Outmon hom, it has, anny 1159 50741 Reyal Bank of Scotland Information Lid Fo har 605 Stelor Jeep Fryal Bank of Scotland Information Lid Growth ID F. 25 1150 1150 1050 1 Fallon ID F. 35 1150 1250 1050 1 Fallon ID F. 35 1150 1250 1050 1 Fallon ID F. 35 1150 1050 1050 1 Fallon ID F. 35 1150 1050 1050 1050 1050 1050 1050 1
Acres		HRM. ASSACT. HEAD SECOND ASSACRATION STATES AND ASSACRATION ASSACR	Experie USAN 77776. Hadron settin Boylly A 5 27.156 22.27 48.24 - 42.	Wangarten B	HAVE SERVICE OF THE PLAN TO SERVICE OF THE PL		**************************************
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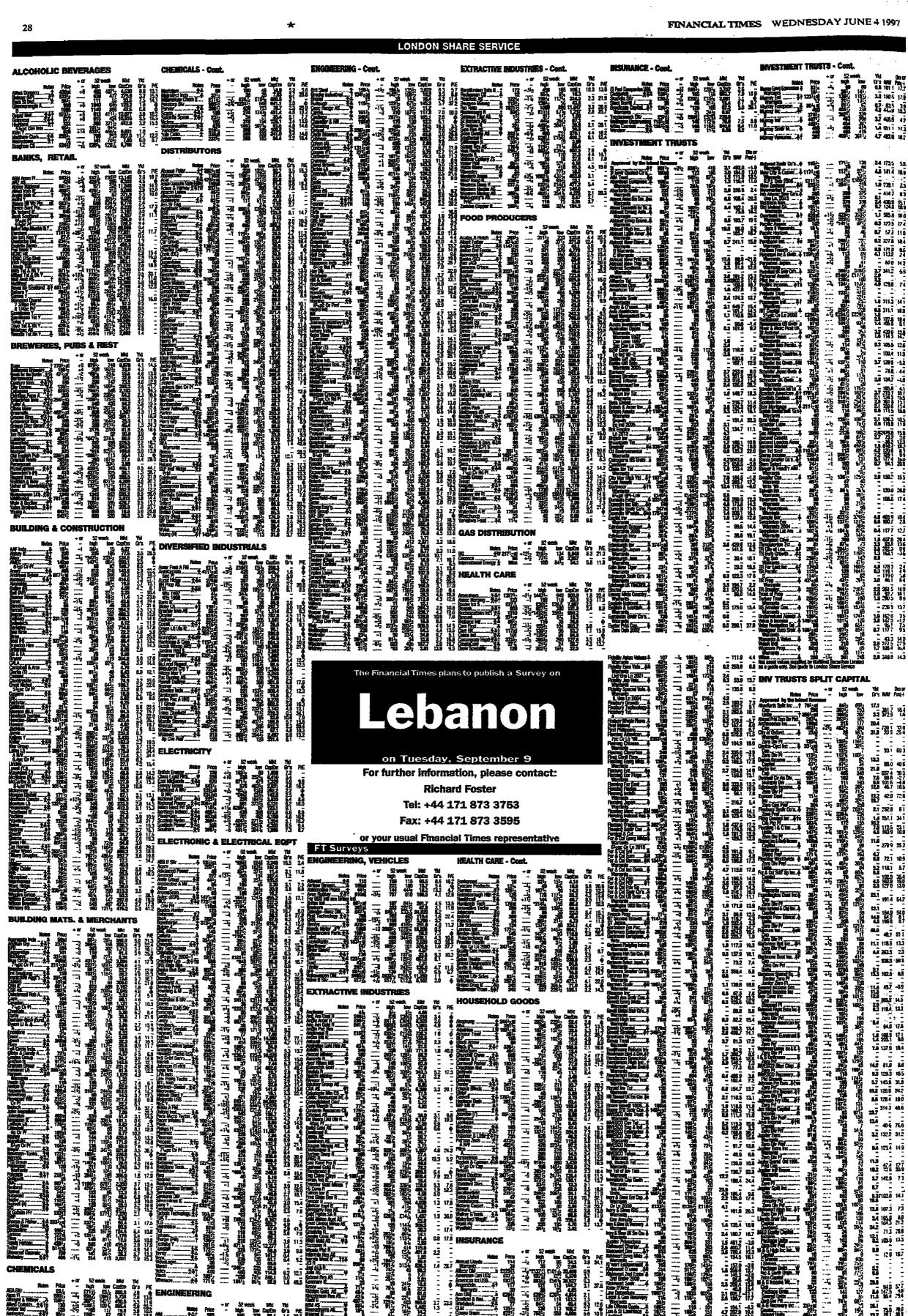
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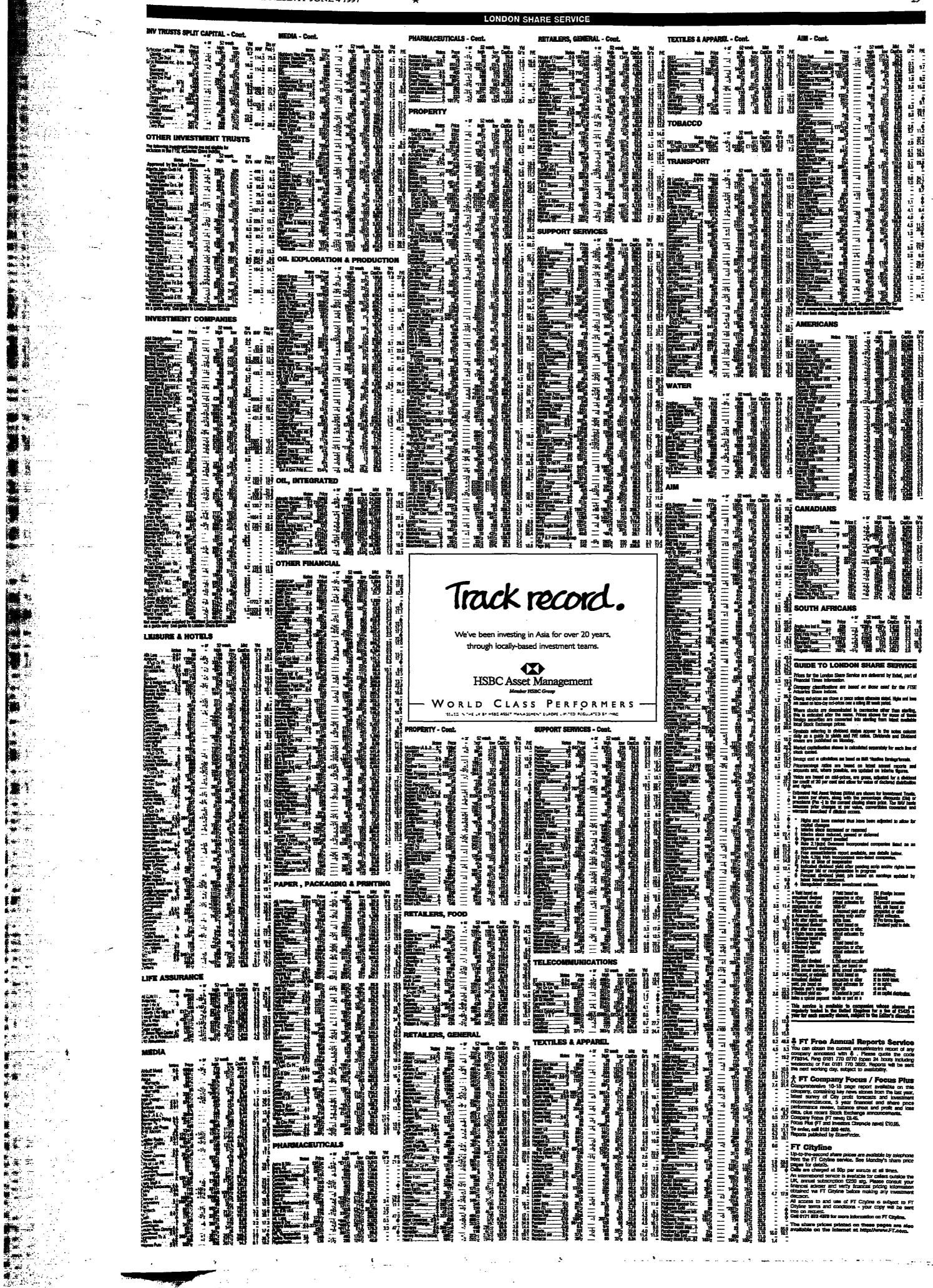
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Wall Street triggers good rally in equities

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

don's equity market as shares fell again for the fifth consecutive session yesterday, although they closed well above the day's worst levels as global bond markets rallied strongly.

"It's Gordon Brown, we're dence over the last few sessions. said one observer.

He pointed to the persistent concern about tax increases.

There were plenty of other worries. Thursday's first meeting of government's newly There were further signs of appointed monetary policy comincreasing unease across Lon- mittee was being viewed with concern, with some traders taking the view that a 25 basis points increase in UK interest rates might follow.

The outcome of the UK monetary meeting should be known before news of the US nongoing down," remarked one mar-ket wit, referring to the growing published. "Friday could well be nervousness about the July 2 a big day in the market, if the Budget, which has begun to whit- Bank moves rates higher and we tle away at the market's confi- get a bad employment report,"

It was also noted that the Budget coincides with the next meeting of the US Federal Reserve's Open Market Committee. The combination of a rise in US rates and a hard-hitting UK Budget is viewed with alarm.

5.0 at 4,557.8, bringing the decline over the past five sessions to 123.8 points or 2.6 per cent.

Of increasing concern to investors was the fact that the selling strong rally. pressure, which has been concentrated in the leaders recently, broadened yesterday to encompass the second line stocks in the FTSE 250 and the small shares in the SmallCap index.

5 per cent last year.

Market specialists contin-

ued to keep a close eye on

the banking sector. Profit-

taking left Halifax trailing

10 to 724%p, which is below

Monday's auction price of

BZW yesterday issued 10m

lar move in Alliance

& Leicester earlier this year.

Shares in A & L closed 5 off

Barclays was one of the

few specs of blue in an other-

wise dull sector. The shares

bounced 26% to £11.61% on

Buxton said on Tuesday his

bank had no intention of

selling off BZW, its invest-

ment banking arm. "There is

Investors in electronics

Chairman Mr Andrew

general bargain hunting.

The latter dropped 10.4 to banking division was not for sale. 2,281.0, while the former gave up 19.9 to 4,562.0.

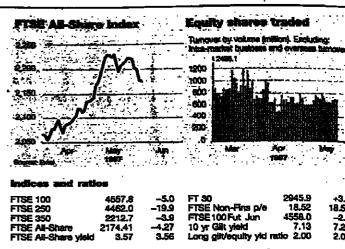
were said to have been caused by another big sell-off in the finan- after London closed. At the end of a day of increased cials, themselves weakened by a activity, the FTSE 100 index lost lack of expected follow-through buying interest in the Halifax, start. Marketmakers shifted the newly-converted bank. Halifax shares were marked down to 714p before embarking on a firm, announced it had com-

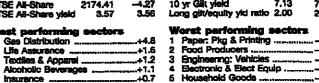
> were plenty of talking points in of the June 16 float. City Index's the sector, Barclays were heavily driven down before spiralling up late in the session after the bank insisted its BZW investment

> The overall market also rallied well as Wall Street's Dow Jones But London finished well above Industrial Average saw an early earlier depressed levels, which 30-point decline transformed into a 40-points plus gain not long

Leading insurance stocks also raced higher after a difficult prices higher after City Index. the financial and sports betting menced "grey market" dealings Apart from the Halifax, there in Norwich Union shares ahead closing quotation yesterday was

300p-310p. Overall market turnover at 6pm was 964.8m shares.





Broker boost for BG

Brisk buying in BG in the second half of the session drove the shares sharply ahead and helped boost turnover in the stock.

By the close, the shares were 12% better at 217%p. the best performer in the FTSE 100. Volume of 21m made it one of the day's most actively traded shares. Strong demand prompted a wave of rumours in the early part of the afternoon. One story suggested the

long-awaited Monopolies and Merger Commission (MMC) report into the revenues of TransCo, BG's gas pipeline business had leaked into the market and was in favour of BG's position.

Ofgas, the industry regulator, last year tried to impose a cut of up to 28 per cent in the revenues of TransCo, in order to pass the savings on to consumers. The price cut was blocked by British Gas. The report was delivered to both Ofgas and BG. (demerged from British Gas

earlier this year) last Friday. However, it emerged towards the close that a bullish note from Deutsche Morgan Grenfell due to be published today was the most some of its biggest shareselect group of large institu-

near term share price target for BG of 300p, well ahead of the most optimistic current predictions of around 250p a

The three listed partners in Camelot, the national lottery organiser, suffered a collection of individual problems. They are already under pressure from the government over bonus payticket sales and profits rants. declined.

Racal, which has a 22 per cent stake in Camelot, edged up 11/2 to 235p late in the day after it said it had called in Goldman Sachs to advise on "maximising shareholder value". The measures might include joint ventures, strategic alliances, equity partnerships, flotations and divestments. Racal said. It also reported a big profits fall and said it had launched a strategic review and would shed 1,000 jobs. Its pre-tax profits were down from £70.4m to £40.4m after of exceptional £19.3m

Mr Brian Newman at Henderson Crosthwaite is a buyer of Racal. He believes the sum of the parts valuation makes the shares worth 300p a share. He said: "The share price will be dominated by corporate activity over the next few months." Racal is meeting with

likely reason for the advance holders over the next few in the stock. Dealers said a days to work out valuations. De La Rue fell 631/40 to tions had become aware of 421%p in heavy trading of the circular, prompting the 4.2m shares after the bank late buying spree and note printer reported pre-tax

a squeeze at the close. profits down from £148m to Dr Pepper volumes had risen DMG is said to have set a £106m. Camelot contributed £15.9m of profits, down from £17.4m the year before.

Cadbury Schweppes was the second biggest faller in the Footsie, down nearly 3 per cent or 15 to 526%p in heavy trading of 6.6m shares, on fears for its US drinks sales after a US press report that Coca Cola was trying to squeeze Cadbury's Or Pepper/Seven Up brands ments to directors when out of McDonald's restau-

> Coke was reported to have offered free supplies of soft drinks in return for an exclusive supply agreement. If successful, the move could reduce Cadbury's US sales and profits that have already been affected by the strength of sterling. The US represented 40 per cent of the group's total drinks sales in no substance in these the year to December, and rumours," Mr Buxton said. Cadbury said in March that

> Jun 3 Jun 2 May 30 May 29 May 28 Yr ago Thigh "Low 2945.9 2942.7 2971.5 2997.8 3000.5 2791.8 3018.6 2668.8 3.72 3.72 3.63 3.65 3.66 4.00 4.22 3.62 17.83 17.85 18.03 18.16 18.14 18.16 18.33 15.80 17.65 17.67 17.84 17.99 17.96 15.94 18.14 15.71 FT 30 hourly changes

Open 9.00 10.00 11.00 12.00 13.00 14.00 15.00 16.00 High Low 2941.0 2940.1 2935.8 2937.0 2921.4 2925.7 2926.3 2930.8 2941.9 2946.4 2920.1 Jun 3 Jun 2 May 30 May 29 May 28 Yrago 48,983 60,715 42,587 41,194 42,622 33,026 NA NA 1708.8 NA NA NA mational Limited 1997. All rights reserved. 'For 1997

FT 30 INDEX

Rises and falls"		52 Week highs	and lows	LIFFE Equity options		
Total Rises	486	Total Highs	57	Total contracts	61.163	
Total Falls	1,011	Total Lows	93	Total contracts Calls	38,136	
Same	1,578	Total Highs Total Lows		Calle Puts	23,027	
Jun 3 "Data base	d on Eq	uity shares listed o	n the Lon	don Share Service.		

group Amstrad were rubbing their hands in glee as they focused on the company's reconstruction proposals

announced yesterday. rose 131/4 to 277p, after trade of 4.1m. The company said shareholders will receive 163p nominal of loan notes call covered call warrants on exchangeable for cash for Halifax, having made a simi-

each Amstrad share. Viglen Technology share, a den. The agreement is subpro rata share of Amstrad's shareholding in Betacom and a right, by way of a letter of entitlement, to their share of any proceeds from the litigation Amstrad is involved in against Seagate Technology of the US. Betacom shares closed 4 off at

Kalamazoo advanced 131/4 to 92%p after the computer group confirmed rumours that it was in takeover talks. However, it pointed out that the Kalamazoo Trust, which owns 40 per cent of the company, may not be able to accept any offer. The board was still investigating ways of modernising the trust.

Among retailers, Dixons was the third biggest riser in the Footsie as it advanced 13½ to 481p in volume of 4.6m. continuing to recover from the 2 per cent fall it took on Friday following concerns that the government would abolish recommended retail prices.

Sporting leisure stocks. still smarting from the profits warning last week by Nike of the US, extended the falls seen on Monday. Blacks Leisure was down 471/2 to 471p while John David Sports was down 21 to 250p after its profits warning on Monday. JJB Sports was down 191/2 to 473p

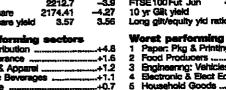
P & O was up 8 to 647p in heavy trading of 3.7m helped by a reiteration by NatWest Securities of its "add" stance in a note yesterday following results from P & O Nedlloyd Container Line, the joint venture company created by the merger of the two parties' containers businesses.

The broker cited cost cutting ahead of schedule Shares in the company and the rapid strategic development of the company. Sentiment in the stock was also helped by the news on Monday that the French authorities had given the go-ahead to its planned cross-Channel They will also receive one link-up with Stena of Sweject to a report from the

> merchants that was placed at 100p on Monday, rose 2 to 113½p yesterday. About 300 of its staff are to receive shares worth about 6 or 7

Monopolies and Mergers Commission. Topps Tiles, the builders'

per cent of their salary.



FUTURES AND OPTIONS

	-	0)Dev	. \$e	it price	Chen	Çe	High	h	Lo	N	Est.	vol	Ope	n h¢
tun.		45	558.0	4	553.0	+3.0	,	4575.	.0	4527	.0	169	6 5	67	837
Sep			595.0	4	585.0	+2.		4595	.0	4584	.5	11	55	91	120
Dec			•	4	36.0	+3.0	,	-		-		()	7	33
S F	TSE 2	50 I	NDE)	(FU	TURES	(LIFFE) £1() per	full i	ndex	poin	t			
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Sep		4	512.0	4	512.0	-25.	5	4512.	.0	4512	.0	26	10	7	00
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TRADING VOLUME

Vol. Closing Day's 000s price change

501/2 121/2

LONDON RECENT ISSUES: EQUITIES

Issue price p		Mikt. cap (2n.)			Stock	Close price p	+/-			rs P/E	
_	_	<u> </u>	_				<u>"</u>				_
•	F.P.	3,472	655	255,5	Aliance & Leic	596 ¹ 2	-5			3,4 14,	6
ş	F.P.				Aston Villa	827 ¹ 2	-212	RALE	1.8	1,3 45,	5
	F.P.	3,865	30312	25812	Cable & Wireless	25912	-4	-	-	-	-
	F.P.		102		Caracton B	99 ²			-	-	-
100	F.P.	35.0	100	100	Downing HI VCT	100		-	-	-	-
540	F.P.				†Eagles	35		-	-	-	-
•	F,P,	1,915	31212	27012	Gallaher	277 2	+5	19.25	1.4	8.7 10	8
•	F.P.	18,185	776	714	Halifax	7242	-10	a14.84	2.1	2.6 21.	6
§140	F.P.	10,1	14712	98 ¹ 2	Heart of Miditin	9912	-412	-	-	-	-
ş	F£.		16412			159 ¹ 2		-	-	-	-
100	F.P.	3.23	10712	10212	Integrated As Mg	10712	+2	-	-	-	-
	F.P.		13012	12212	tady in Laboure	12412		ь-	-	-	-
ş	F.P.	3.69			Longbridge inti	11712	-2	-	-	- 16.	4
50	FP.	19.2	5412	4712	†NMT	49	-1	-	-	-	-
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100	F.P.	8.00	100	100	Penine AIM VCT	100		-	-	-	-
	F.P.	19.1	7012	3812	Petra Diamonds	65 ¹ 2	-2	-	_	-	-
	FP.	0.63			Do Werrants	4812		-	_	-	-
143	F.P.	21.8	15512		Qualceram	15512		22.6%	-	1.5	-
§100	F.P.				Soccer Investment					-	-
	F.P.	118.7	26212	23412	Soco Inti	23612			_	_	_
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	FP				Vorceitte Carrier	31.		_	_		_

FTSE GO	OLD MIN	ES IND	EX	

		% chg			Gross dir yield %	P/E ratio	52 week High Low
Gold Mines ledex (31)					•		2376.96 1468.80
■ Regional Indices							
Africa (14)	1721.10	-0.8	1734.77	3119,26	5.17	27.36	3144.05 1721.10
Asstrakala (6)	1754.12	+0.9	1739.12	2688.29	2.97	19.64	2677.22 1739.12
North America (11)	1474.95	-24	1510.69	2126.45	0.98	60.74	2126.45 1335.84
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† Sector P/E ratios greater than 80 and not covers greater than 30 are not show: 1 Values are nogative. Change of name: RTZ Corp now Rio Tinto (FTSE 100 & 12)

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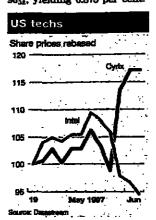
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Dow shakes Revaluation deal sends Frankfurt higher off losses in techs

Blue chips again diverged from technology groups on Wall Street at midsession, as profits warnings hit the tech stocks, writes Jane Martinson in New York.

The Dow Jones Industrial Average rose 10.25 to 1,394.54, after starting the day on a negative note. The more broadly-based S & P 500 also rose, by 3.27 to 849.63. Some of the improvement was a reflection of gains in the bond market. The benchmark 30-year bond rose ¼ to 96%, yielding 6.875 per cent.



However, Mr Joseph Battipaglia, chief investment strategist at Gruntal & Co. said that the "great resilience" of the Dow was partly related to short-term decisions by money managers ahead of second-quarter results. "The momentum is with the market," he said. He believed that the larger company indices would tread water in the mediumterm. however, and that smaller companies and technology companies would

catch up. However, this catch-up of the technology-driven Nas- 25 cents to C\$9.05. dag composite index was delayed vesterday after the market was disturbed by profits warnings from two technology groups. Seagate

cent to \$39% after warning that sales would fall in the fourth quarter, while Cabletron, the networking company, said second-quarter earnings would be below analysts' estimates. It fell \$15 or almost 33 per cent to

The warnings excited fears about weaker demand first raised by Intel last Friday. The world's largest silicon chip manufacturer fell another 2 per cent or \$3.5 to \$1467. Other technology groups to be hit included Cisco and Dell.

The misfortunes of some were the opportunities of others, however. Cyrix continued its strong rally of the past week with a rise of \$1/4 to \$26%. The group had moved up sharply since launching an updated rival to Intel's microprocessor last

The Russell 2000, the index of smaller companies, edged up 0.06, above its closing all-time high, at 383.58 after

Physician Corporation of America rose \$% or 6 per cent to \$6% after its takeover by Humana, a healthcare group, was announced. The predator rose \$% to \$24.

TORONTO moved higher, dealers saying that the election result had been widely discounted and had little impact on sentiment. Shares were said to be mostly tracking Wall Street. At noon, the 300 composite index was up 30.72 at 6,436.80.

Index heavyweights Alcan Aluminium and Seagram moved higher with Alcan up 20 cents at C\$49.70 and the spirits and media glant gaining 95 cents to C\$56.30. Steel stocks remained in favour. Stelco added 5 cents at C\$10.40 and Algoma gained

Dull bullion hit golds and Barrick Gold shed 10 cents to C\$34.00. Techs were mostly weak: Newbridge Networks fell C\$1.85 to Technology, the largest disk C\$55.60 and Northern Teledrive maker, fell \$3 or 7 per com shed 25 cents to C\$118.

Mexico at new high

ment launched its latest economic plan. At midsession, the IPC index was 59.41 or 1.5 per cent higher at 4,062.23.

Announcing the development plan, president Ernesto Zedillo said that the economy was set to grow by an average annual rate of 5 per cent and that inflation for May would be lower than

the 1.1 per cent of April.
BUENOS AIRES also pushed ahead, the market consolidating slightly after

were again in action and at midsession the Merval index was up 4.41 at 796.50.

SANTIAGO, strong lately on the back of high copper prices and fading worries about the lack of rain, came in for modest profit-taking. At the midsession calculation, the IPSA index was off 0.58 at 132.99 in light volume.

CARACAS moved up sharply during a morning of moderate volume. At midsession, the IBC index was 123.0

Industrials lift South Africa

industrials sent Johannesburg sharply ahead for the second day running, lifting the all-share index 50.7 to 7,12.0 in good volume.

Financials were strong; Rand Merchant Bank jumped 40 cents or 3.5 to R11.60 on plans to move into retail banking, and Standard Bank rose R5 to

Another strong rise for R210. Angle American was also a feature, rising R5.25 to R268.25 on the back of a

strong earnings statement. Bonnita fell again on Mouday's news of weak profits. The shares fell 16 cents to R2.24. The industrial index closed up 46.4 at 8,336.8. Golds, held in check by another flat day for the bullion price, fell 8.4 to 1,158.2.

MEXICO CITY continued to its Monday advance of 1.8 set records after the govern- per cent. Foreign buyers

EUROPE Philipp Holzmann News that Chancellor

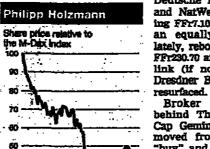
Helmut Kohl's coalition had struck a compromise deal with the Bundesbank over its controversial plan to revalue central bank gold and currency assets, in preparation for Emu. sent FRANKFURT sharply higher late in the day. One analyst said that the

move had removed a signifi-cant political uncertainty, allowing the market to turn its attention back to economic fundamentals. At the same time, many investors were belatedly coming to the view that the outcome of the French election at the weekend was perhaps not as bad as many had first thought. By the close, the Ibisindicated Dax was 59.19 or 1.7 per cent higher at 3,655.59 in turnover that fell again,

DM9.4hn. Exporters continued to benefit from the weak D-Mark. Volkswagen jumped DM41.34 or 3.7 per cent to DM1,167.00 on a rosier export outlook. Thyssen rose DM1290 or 8.3 per cent to DM405.90, helped by a posi-

from Monday's DM10.3bn to

tive analysts' meeting. In the opposite direction. Holzmann tumbled DM14 to DM490.50 after Monday's news that Hochtief and Deutsche Bank were drop-



ping plans to pool their stakes in the company. PARIS continued to rally. The latest twist in the Emu saga underpinned bonds, and the franc also improved. But the main drive again came from the bargain hunters. The CAC 40 index ended

23.04 higher at 2.634.49. Although barely half Monday's bumper levels, volume was a solid-looking 15.2m shares and sentiment stayed generally positive. Accor and Legrand were the hot stocks. Accor jumped FFr53 or 6.7 per cent to FFr849 ahead of today's annual meeting. Legrand gained FFr57 or 6.1 per cent to FFr995.

inance One

Lagardère, down some 13 per cent last week, came in for positive words from at SFr1,809, traders saying a split into two separate lation that ITT could sell the

Deutsche Morgan Grenfell and NatWest Sellier, jumping FFr7.10 to FFr166. BNP, an equally weak market lately, rebounded FFr1.80 to FFr230.70 after rumours of a link (if not merger) with Dresdner Bank of Germany

Broker upgrades got behind Thomson-CSF and Cap Gemini. SBC Warburg moved from "neutral" to "buy" and NatWest Sellier from "hold" to "accumulate" at CSF. The shares ended FFr3 higher at FFr156. Goldman Sachs edged up Cap Gemini, FFr6 ahead at FFr330, to a trading buy.

barrier for the first time, the SMI index gaining 57.2 at 5.207.2 on the higher dollar. a favourable interest rate outlook, Frankfurt's gains and the Dow's morning move from loss to gain. Financials were held back by profit-taking but industri-

als were strong. Alusuisse rose SFr39 to SFr1,390 as old spin-off rumours were revived; in construction, Holderbank rose SFr19 to SFr1.299 after UBS added the stock to its European focus

pharmaceuticals, Novartis registered, the most active stock of the day, put on SFr41 at SFr1,988; and in rise of 5 per cent as investors food. Nestlé picked up SF121

volume doubled to 21m

Housey changes

Hum value 1930 (2670/90); Highling: 100 - 2545.05; C FISE International Limited 1987. All debts presented early trade. MADRID, which had been

ZURICH broke the 5,200 Pta126bn to Pta80.6bn. pered with gains of 3 per

AMSTERDAM traded qui-

FTSE Actuaries Share Indices THE EUROPEAN SERIES Ones 10.50 11.00 12.00 13.00 14.00 15.00 (2000 FTSE Europeack 100 2338.16 2344.34 2343.48 2344.23 2343.76 2343.84 2344.49 2344.14 FTSE Europeack 200 2384.06 2388.30 2386.10 2380.57 2363.01 2362.75 2363.93 2366.96 May 30 May 29 May 25 May 27

by falling coffee prices in

demand, adding Fl 3.70 or 3.3 vulnerable to Emu fears, saw a stronger dollar boost its domestic bond market. The general index gained 9.65 or 1.8 per cent at 556.67, although turnover fell from The leaders list was pep-

cent and more. Amper, the telephone equipment maker, rose Pta135 or 3.7 per cent to Pta3,825 on a plan to repay Pta200 of capital per share. Banks gained from bond market influence, Santander leading with a rise of Pta570 or 4.6 per cent at Pta12.850.

etly, with KPN and Philips commanding most investor interest. The AEX index ended up 4.51 at 811.99. KPN gained Fl 2 to Fl 70.70

in 5.5m traded for a two-day warmed to the possibility of

2342.35 2352.28 2370.09 2381.16 2386.28 2382.37 der 100 - 2537,48 200 - 2596 76, † Paral companies, possibly as early as this summer. Philips

again met with good

per cent at Fl 113.70.
A reiterated "buy" recommendation from NatWest Securities failed to lift Nedlloyd. The broker expects the group's container joint ven-ture with P&O of the UK to exceed its cost reduction tar-

> Nedlloyd stayed stubbornly on the downside, dipping 10 cents to F147.20. MILAN found support in a a strong lira and what it saw as a more benign outlook for introduction of a single cur-

rency; the Comit index picked up 6.28 to 763.24. ENI recovered L55 at L8,650 after recent losses that reflected selling by Italian funds shead of the placement of a third tranche of government-held shares from June 23.

A L62 surge in Ciga to L842 was attributed to specu-

ment of its hotels, as part of its move to fend off a hostile bid from Hilton.

STOCKHOLM was flat, the neral index rising 0.43 to 2.841.91. However, brokers. said that the Swedish decision to stay out of Emu in 1999 could have a dampening effect, lifting the kronor and hitting exports.

ATHENS continued its rebound after last week's reaction, the general index recovering another 31.39 or 1.9 per cent to 1,684.38.

Foreign investors continued to officed large holdings in private banks and cted construction stocks on interest rate and foreign exchange fears, but domestic buying interest snapped up most of the offer, said bro-

BUDAPEST said that buying momentum was beginning to run out of steam, but it was enough to give the market its third successive all-time high, the Bux index rising 113.82 to 6,278.45, up 8.3 per cent over the last seven trading days.

Here, foreign money was mostly on the buying side. arguing that a strong dollar made Hungarian paper more

Written and edited by William Cochrane, Michael Morgan and

Hong Kong at intra-day peak before 1.5% slump

ASIA PACIFIC

After another new intra-day high. HONG KONG turned back to close 1.5 per cent lower as investors were unsettled by worries about the outlook for the property market and disappointment at the outcome of the day's government land auction. The Hang Seng index

closed 230.73 lower at 14.760.17 in turnover that remained robust HK\$23.3bn, although below Monday's record HK\$26.5bn. Analysts noted that the morning's all-time high of 15,020.96 was largely the

result of continued covering of warrants issued on Cheung Kong, which made the winning bid for one of the sites on offer, closed

while Hutchison Whampoa, its subsidiary, fell HK\$1 to HK\$64.25. HSBC Holdings slid HK\$6 to HK\$227 in very heavy turnover of almost HK\$1.4bn

as demand for the banking giant by London-based institutions dried up. TOKYO posted a 1997 closing high on active buying by foreign investors of blue chip exporters and domestic

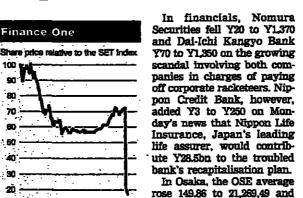
demand-driven issues, writes The Nikkei 225 average rose 111.31 to 20,563.16 after moving between 20,432.14 and 20,671.97. Foreign buying more than offset profit-taking by domestic institutions, but the key index

faced resistance at the 20,500 level and heavy selling in

the afternoon brought it back from the day's high. Volume swelled from 311m shares to an estimated 439m but this was seen as relatively low, considering the market's gains over two days, and analysts said equities would require strong new economic data to advance significantly.

Advances led declines 638 to 437 with 162 unchanged.

0.5 222.42 180.41 218.85 217.26 0.5 1.91 244.28 221.35 179.93 216.60 216.22 246.21 202.32 213.70



The Topix index of all firstsection stocks rose 4.10 to 1,511.93 capital-weighted Nikkei 300 by 0.54 to 291.91. In London, the ISE/Nikkei 50 index rose

Among exporters, Sony closed at an all-time high of Y10,100, up Y160. Fujitsu, the day's most active issue, rewrote the year's high, adding Y20 to Y1,470. Many other high-technology issues advanced, with TDK up Y100 at Y9,050, Advantest Y60 at Y8,080 and NEC Y20 stronger at Y20 at Y1,650. Among blue chip losers, however, were Honda, down Y30 at Y3,550, Nikon by Y40 at Y2,050 and Canon, Y20 weaker at Y3,000. Toyota added Y20 to

Domestic demand-driven issues were mixed. Mitsubi-shi Heavy Industries, which recently reported strong profits, fell Y13 to Y852 on profit-taking. Property devel-opers were the day's biggest gainers, up nearly 2.5 per cent as a group in spite of poor earnings announcements in the just-finished corporate results season. Mitsui Fudosan rose Y50 to Y1,520 and Mitsubishi Estate

Y40 to Y1,670. Steelmakers continued their recent advance, Kawasaki Steel rising Y7 to Y354 and Sumitomo Metal Industries Y6 to Y316.

In financials, Nomura to 556.57 in thin Bt2.5bn turnover. Ahead of its planned

rights issue, Finance One led the decline, dropping the daily 10 per cent limit or Bt0.60 to Bt5.70. Turnover was Bt239m making it the day's most active stock. "The rights issue has clearly rattled sentiment,".

said one broker. The issue is pitched at Bt7.50 a share. MANUA closed weaker on profit-taking after eight consecutive days of gains. The composite index closed 17.94 lower at 2,802.78 after touch-BANGKOK ended lower ing an intra-day low of

2,790.78. Turnover stayed after heavy selling of bank and finance issues as worthin at 1.9bn pesos. The selling was mostly ries about non-performing loans resurfaced. The SET sparked by a steep slide for index fell 6.78 or 1.2 per cent Filinvest Land after the gov- T\$124.5.

ernment rejected a request for an environmental permit for a large project. The shares fell 50 centavos or 7.9

per cent to 5.80 pesos.

buoyed by hopes for an inflow of funds following the finance ministry's decision to raise the ceiling on single foreign fund investment. The weighted index rose 58.48 to 8,255.78 in moder- 4.7 per cent respectively. ately active turnover of

T\$117.6bm. The electronics sector rose 2.1 per cent, with Compai Electronics up T\$4.5 at T\$105, Acer Peripherals surging T\$5 to T\$86 and Acer up T\$1 to T\$83. Taiwan Semiconductor added T\$5.5 to

rotational buying of securities and construction shares outweighed early consolidation, while the government's TAIPEI gained ground for financial reform proposals the fourth day running, had little impact as the details had been leaked.

The composite index closed 7.67 higher at 766.06 while the sub-indices of securities and construction stocks rose 6.3 per cent and

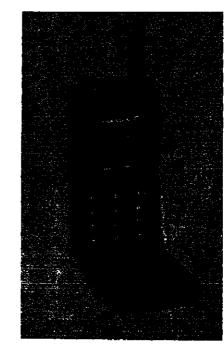
KUALA LUMPUR was helped ahead by speculative demand for companies linked to the Bakun hydroelectric dam project in Sarawak. The composite index rose 8.86 to 1,126.83, as Ekran, the main promoter of the dam project, gained 30 cents to 5.75.

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Information Technology

The wide use of computers controlled by speech, rather than keyboards and mice, could eventually have dramatic implications in the office and home, reports Paul Taylor

A new era of voice computing

punch cards, tapes, keyboards and mice. The evolution of man-machine interfaces in the computer industry has been a slow shuffle towards an intuitive system that many believe will eventually be built around voice technologies.

Now, after more than 40 years of development, industry researchers believe they are close to reaching the 'holy grail' of voice technology - continuous

If they are proved right, voice technology could finally begin to deliver on its long-promised potential to transform both personal and business computing environments and accelerate the integration of the computing and communications worlds.

"We believe speech is going to be the future of the user-interface with computers", says Jan Winston, world-wide manager for IBM Speech Systems.

Lernout & Hauspie, a fastech technology pio neer based in Belgium, sees the technology as a way not only to help eliminate barriers between men and machines, but also between men and their human counterparts. "Speech technology will enable innovations that can help us better understand each other - bridging cultures and bringing people together with little regard for the barriers of

local language," argues L&H. Mr Bill Gates, Microsoft's chairman is also a voice technology enthusiast. "We may look back on the computers of today and say, 'Oh, they were the computers you couldn't talk to," he says. By extending access to computing. Mr Gates and others believe that voice technologies could bring forward the advent of ubiquitous computing and the day when there is indeed a computer on every desk and in every

Voice technology has, in fact, made significant advances over the past decade. Only 10 years speech recognition demanded the power of a massive option for some tasks on a desk-

"Until a few years ago the proexplains Mr Gaston Bastiaens, president of L&H. While the arrival of Intel's Pentium processors have provided the desktop processing power, further advances in the statistical algorithms and natural language processing have improved both the quality and accuracy of automatic speech recognition soft-

cations now make a lot of sense," says Mr Bastiaens. Reflecting this, L&H's revenues jumped from \$7.7m to \$31m last year and its customer-list has grown to include a wide range of blue-chip clients such as Microsoft, Northern Telecom. Ford and Samsung.

"Speech recognition has undergone a transformation in the last six months and it looks like more change is on the way," says Jody de Falbe of Talking Technologies International, a UK-based speech specialist and software developer.

based software group which was recently acquired by Lernout & Hauspie launched VoicePad in October, IBM countered with its Simply Speaking package, and Dragon Systems launched

Dragon Singles.
This flood of low-priced consumer software - coupled with the gradual move to "voice enable" other software products has helped raise the general awareness of voice technologies and led to predictions of an explosion of both business and personal use.

For example, IBM which also launched its high-end VoiceType 3.0 software last year, expects a million copies of voice recognition software to be sold by the industry in 1997, a ten-fold increase over 1996.

From a business perspective, there is another reason for busigies. It has long been recognised that people can speak faster than they can write and assimilate the spoken word more quickly than written text. For this reason, the core voice technologies - automatic speech recognition and text-to-speech conversion - hold



Dislogue between man and machine: with Philips' natural speech recognition technology, illustrated above, the dream of being able to communicate with machines through the power of speech is gradually coming true. Also inset, above, is IBM's innovative VoiceType connection for Netscape (top, left); in use, (lower left), is Dragon Systems' pioneering 'DragonDictate' speech software

increases in productivity. Among the UK-based users of

IBM's software are general practitioners, radiologists, lawyers and surveyors. "GPs dictate huge volumes of text each day and it may be more efficient to dictate some text to our computers, freeing-up administrators for more profitable tasks," says Dr Simon Berrisford, a GP who is using the package with its add-on healthcare dictionary.

Similarly, in Belfast City Hospital's radiology department, Voice-Type Dictation has been used to help speed up the delivery of information from the radiology department to the ward so vital decisions on treatment can be made more quickly. "Giving doctors keyboards would simply add to the many peripheral tasks we already perform, without contributing to, or enhancing, our skills as radiologists," says Dr John Lawson, consultant radiolo-

For IBM, which set up a specialist speech recognition team, speaks in a consistent manner tions.

the prospect of further significant in the late 1950s, long before and inserts brief pauses between 2001, A Space Oddesey, Stanley Kubrick's film, popularised the concept of voice-enabled computing, the commercial acceptance of today's voice technologies is

gratifying. Early research at IBM and elsewhere focused on training the computer to listen for specific linguistic natterns in order to arrive at a statistical correlation between sounds and the words they represent.

One of the main methods called 'template matching' involved capturing and storing a dictated word in a computer database as an 'acoustical' image. In order for the computer to recognise a particular word or phrase among many, it needs to compare the pattern of the uttered word with all the stored patterns in the

Therefore, template-matching functions work well as long as nised is limited, and the user

ing, a division of the Dutch electronics group, notes, "discrete, or isolated, speaker-dependent reccenition systems generally recognise up to 1,000 words and are useful in very specific busyhands, busy-eyes environments, for example, in luggage-handling systems, and quality-control

The functional limitations inherent in templatematching systems have made this method of speech recognition unacceptable for most mainstream applications, however. The ultimate goal of speech recognition is to develop a machine or software program that is 'speaker-independent' - in other words, it can recognise anyone's speech without prior training, and can recognise any word, allow the user to speak at any pace, discriminate between commands, text, and user conversa-

H.A.L., the talking mainframe in words. As Philips Speech Process system therefore combines voice guage model which comprises a recognition which enables a system to recognise the speaker, rather than simply responding to words being spoken; speech syn-thesis, so that the computer can 'speak'; and artificial intelligence, so it can make decisions and learn from experience

speech-recognition systems, those with 20,000 words or more, have abandoned template-matching technology and now use 'phoneme' recognition. Phonemes are the smallest acoustical component of a language - there are about 80 phonemes that make up

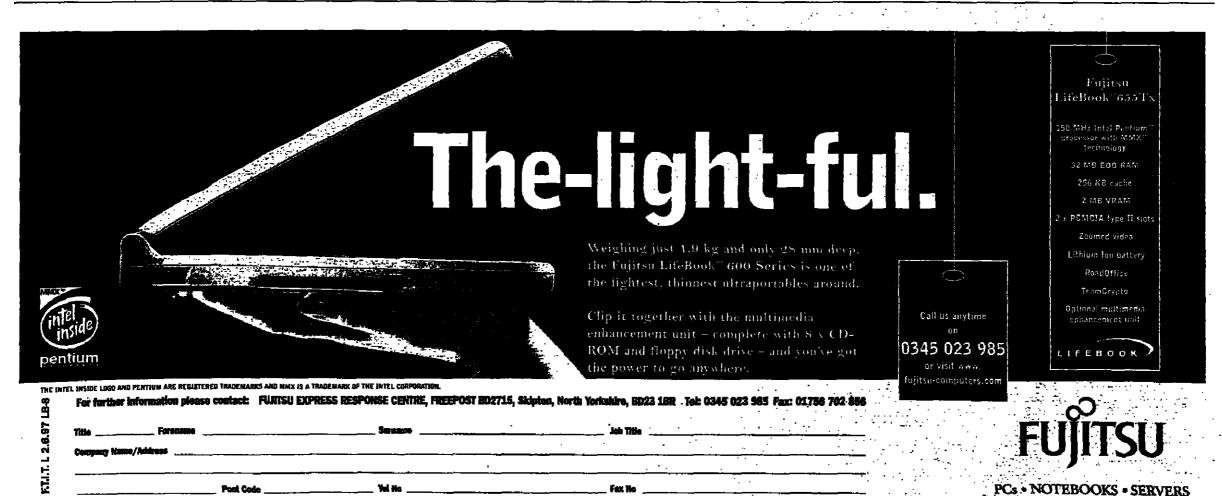
the English language. "Phoneme recognition is the key to success in speech recognition technology, but it is not the whole story," says Philips. The solution chosen by the Dutch group uses a phoneme inventory or vocabulary containing all the words that a system can recognise, a pronunciation inventory, tion, and work under any condi- or speaker reference file in which a specific speaker's phoneme pro-

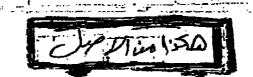
An effective speech recognition nunciations are stored, and a lanstatistical database that assists the speech recognition engine in recognising words.

Although most commercially available speech recognition systems use similar processes there are differences in the way the user can enter speech. Most In fact, large vocabulary current systems other than those developed for specific market niches, require the user to speak with short pauses between each word, a method called discrete speech recognition technology. In contrast, Philips claims Its natural speech recognition technology allows users to speak naturally, as if having a conversation.

Meanwhile Massachusettsbased Dragon Systems launched what it claims is the first general purpose, large volcabulary, continuous speech recognition product in April. Dragon Naturaly Speaking allows users to speak naturally and at a normal pace. "When I first started in speech

Turn to back page of this Review





Venture capital, catalyst of the high-tech boom

A record \$5.9bn was invested in young information technology companies last year. Nicholas Denton examines the central role of the US venture capital community in Silicon Valley

importance of venture capitalists to the information technology industry, observe the envy of Mr Roger Lang, founder of Infin-ity Financial Technology.

Here is a 38-year-old entrepreneur who appears to have everything. Infinity is emerging as one of the leading developers of risk management software to investment banks. Mr Lang is a multi-millionaire: the company's initial public offering last year valued his stake at and in industries such as \$75m. And he remains in retailing and media which control as chief executive are being transformed by 15 middling performers,

talist - 'VC' in the dialect of nerships will have to reform Silicon Valley - and not an entrepreneur such as Mr Lang that is the aristocrat of their traditions. Neverthe-Silicon Valley, says the less, their potential for fur-Infinity CEO. "Being a VC is ther growth is as unbounded an awesome job," he says.

"Exciting new ideas come across your desk every day, you get incredibly rich, you go to work when you want to, and you sit on boards and get to tell CEOs like me what to do."

venture capital community man's terms, this means that is held, illustrated by Mr the winner in a market the

year in US IT companies, according to analysts at Venture One, a research firm.

Through their investments in innovative start-ups, the VCs finance much of the IT industry's research and cutting-edge areas such as the internet.

New investment opportunities are opening up outside the US in countries such as the UK, Germany and Israel, technology. To take advantage, the Silicon Valley parttheir organisational structure and abandon some of as the industry to which they are attached.

Why does a vibrant IT industry rely on venture capital? One answer is that IT sectors such as software often display what is sometimes described as increas-The prestige in which the ing returns to scale. In lay-

or a measure of the invested a record \$5.9bn last ers typically use Adobe's their colleagues and business partners do, which reinforces the product's domi-

> This means that investment performance is highly development spending in variable. What IT startups need is risk capital, which conventional investors such This is just the beginning. as mutual funds are constrained in providing. Enter the venture capitalist. Mr Tim Draper, who reckons that Draper Fisher Associ-ates' latest fund will contain five losers, five winners and says: "We are risk-seekers."

> > oney, however, is the least of it: ven-**▲▼ ⊥** ture capitalists have a multitude of other contributions. "You are everything from top recruiter, top salesman, top worrier, top nanny," says Mr Neil Weintraut of 21st Century Venture Partners.

First, they act as headhunters. An entrepreneur who approaches a VC for funding will not typically have the management expertise to take the company public. "If you hire a good company which establishes a CEO, the business will take surate with its central role. standard of sorts, takes all. care of itself; but usually an Venture capital firms For example, graphic design- entrepreneur has no net-

work and no idea who to hire," says Mr Draper. So the venture capitalist usually takes on the role of matchmaker, leavening the visionaries with some seasoned

Mr John Doerr of Kleiner Perkins, which brought in Mr Jim Barksdale as chief executive officer of Netscape and in the 1980s supplied one of its own partners to help run computer-maker Tandem, says: "My main job from 7am to 9pm is to recruit people. I am a glorified recruiter."

Second, VCs provide advice and support. Accel Partners, for instance, has a programme for entrepreneurs-in-residence, to whom it gives office space and time to develop business plans. For inexperienced entrepreneurs, VCs are mentors, too. We are professional coaches," says Ms Ann Winblad, co-founder of Hummer

Winhlad.

Third, an active venture capitalist refers the companies in which it invests to professional services firms such as lawyers and accountants with practices specialising in information technology. Start-ups backed by a well-known venture capital firm can often obtain legal and other professional advice at a discounted rate. until they have the revenues to cover full fees.

Fourth, VCs are cheerleaders for the companies in Tim Draper of Draper Fisher Associate their portfolio. The backing of a leading venture capital firm, which has called technology trends correctly in the past, brings credibility with commentators and the start-up's potential custommoney, the venture industry brings contacts and confi-We create markets as much as we create companies."

Finally, the most ambitious venture capitalists act as boosters, not just of a few companies, but of the entire category into which an investment falls. They attempt to create a buzz of excitement around a particular concept, such as the Java computer language, which will validate it as a business.

"Almost all the internet phenomenon has come from venture capitalists, with Microsoft bringing up the ear," says Mr Jack Wilson of Technologic Partners, an IT newsletter group and con-ference organiser. "The VCs have the ability to make things happen much faster established compa-

o central is the role of the VCs that it begs a question: did the venture capitalists create Silicon Valley or have they simply benefited from its growth? "It is one of the great chicken-and-egg questions," says Mr Wilson

At first sight, the answer is obvious. Hewlett-Packard, the original Palo Alto electronics company, and Stanford University, the source of much of the technical talent in the Valley, both predate venture capital.

Moreover, the venture capitalists, and for that matter the investment banks which take high-tech companies public, are shifting from San Francisco down the peninsula and congregating around the epicentre of hightechnology companies in



New Enterprise Associates, which was based in the city. is one of the last partnerships to move its office down to the heart of Silicon Valentrepreneurs."

However, venture capitallowers. Silicon Valley's uniqueness lies not in the initial concentration of technical talent after the war,

ficiency of the VCs has improved. Partners now typically focus on specific areas such as enterprise software or networking equipment. ley. "The scene of the action Firms specialise, too: Humis in the Valley. You want to mer Winblad invests exclube on the doorsteps of the sively in software companies, and 21st Century Venture Partners only in ists are more than camp fol- internet companies. "People are much more knowledgeable than they were 15 years ago," says Mr Dick Kramlich of NEA.



which existed also around other universities and defence facilities in the US, and in places such as Cambridge in the UK. It is the ers. "Far from just providing phenomenon of company for-

> ate from Stanford, business prestige as the academic career which tends to attract their counterparts in Europe. Moreover, they know the rules of the venture capital game: visionaries such as Mr Marc Andreesen of Netscape become wealthy but rarely maintain control. "The model is so well-known by everybody that the issue of control is academic." says

Venture Partners. And risk-taking, even if it results in failure, is genuinely lauded. "If someone has tried a venture and failed, there is still great respect for that person,' says Mr Jim Breyer, managing general partner at Accel Partners. As an example, he cites Mr Bill Campbell, who survived the failure of Go Computing, the pen computing company, to emerge as one of the key managers at Intuit, the personal finance software house.

Mr George Still of Norwest

Nevertheless, venture capitalists have been an important part of this culture since the early days of Silicon Valley. The first venture investment dates back to 1968, when Mr Arthur Rock backed a new semiconductor start-up called Intel

Since then, the industry has grown more professional. First, the groups of wealthy individuals who met in restaurants to discuss prospects in the 1970s have coalesced into partnerships such as Kleiner Perkins. Sequoia Capital and New Enterprise Associates.

Venture capitalists believe their broad perspective on the IT industry gives them better returns than other investors would be able to

Institutional Venture Partsuccess carries as much ners. "We know what has been funded and so we can tell what the market will look like in three years'

Third, venture capitalists, prompted by heightened competition for the most promising investment opportunities, have become more active in seeking out compa-

"it's been a gold rush," says Ann Winblad, co-fou

nies and individuals with

potential. In 1990, about 60

per cent of NEA's invest-

ment ideas came from

within the firm, rather than

from approaches from entre-

preneurs; now about 85 per

Proactivity is sometimes

taken to extremes. Kleiner

Perkins offers, as well as fin-

ancing, membership of its

keiretsu, an informal associa-

cent come from within.



which it invests. Sometimes the partnership appears to decide not just which companies to finance, but which ought to exist. "They have a vision and then look for mercenaries to fulfil it," says an executive at another partner-

Even the most dynamic of venture capitalists would concede that high-tech companies would still form without them. Entrepreneurs can often find initial backing from friends and family and. if the business is successful, fund expansion from cashflow. Microsoft followed this

Nevertheless, venture capital appears to speed the process. That has two facets. What we do is to accelerate a company's evolution. We strong in Mr Draper's time. can help it do in six months what would otherwise take two years," says Mr Jim Breyer of Accel Partners. Equally, a venture capital-

ist promotes speed. "VCs are good at saving time," says Mr Neil Weintraut, founder Partners. "If the business model is weak to begin with. it is best left to perish." In part, because of their

talent as investors, in part because of the growth in high-tech stock prices, venture capitalists have pertheir investors. One VC estimates that the rate of return on its investments since 1990, when the high-tech multimedia in the early upturn began, has averaged mation. "We probably have more 40 per cent. Last year, in internet search engines and In part, this is a matter of insight than anyone else," which venture-backed comdence," says Mr Weintraut. culture. For a science gradu- says Mr Geoffrey Yang of panies going public raised a "It's been a gold rush," says record \$7.3bn, according to Ms Ann Winblad. "And some research company VentureOne, was particularly profitable.

> These returns have attracted more money from the pension funds and other institutions which invest part of their assets in venture capital funds in order to boost returns. Venture capital partnerships, which once

tion of the companies in the US. "It has evolved from being a cottage industry to being a real business," says Mr Kramlich of New Enterprise Associates. "It's America's secret weapon. I'm just sold on this business as an economic life-form."

With investment success has come prestige. For instance. Mr John Doerr of Kleiner Perkins, the pre-eminent partner at Silicon Valley's leading venture capital partnership, was judged by Upside magazine the most influential man in the hightechnology industry after Mr Bill Gates of Microsoft and

Mr Andy Grove of Intel. And venture capital is an increasingly popular career choice for graduates. The venture capital club at Stanford Business School, 12-

fallible. They can, for V instance, get carried away with the hype which they are so expert at generating. "There is a lemming of 21st Century Venture effect. And then the entrepreneurs, thinking that the VCs are really smart, pile in, too," says Mr Breyer of Accel Partners.

The list of stillborn industries into which venture capitalists have plunged enthusiastically is a long one: disk formed well on behalf of drives and artificial intelliputing, mobile data communications devices and 1990s. Some would add: people are going to find themselves holding fool's

> Critics suggest that Kleiner Perkins' keiretsu idea, which is inspired by the industrial and financial companies such as Mitsubishi, amacks of a corporatist industrial policy discredited in Japan and Europe. And some of Kleiner Perkins' immaculately conceived. startups, companies created? out of vision such as Dynabook, have been noteable

Moreover, in the past, their moments in the sunk have passed quickly. In 1983, at the height of the PC revo lution. Arthur Rock made the front cover of Time magazine. After that succe venture capitalists were not heard of for another sever years," says Mr Draper. Mr Doerr is aware of the dangers: he is taking a break from on-the-record inter-

The danger of a new down turn is there. As in the mid-1980s, too much money is chasing too few compellit investment opportunities This is partly because the main VCs are flush with funds. The new factor is the growth of investment in startups by companies sucl as intel, Adobe and Soft bank, which are seeking to gain financial and intellect tual exposure to develop ments such as the growth of the Internet. VentureOne venture industry

Continued on facing par

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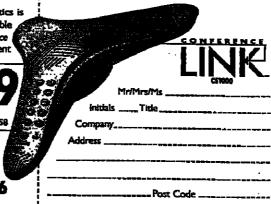
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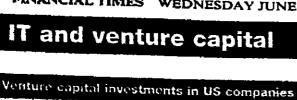
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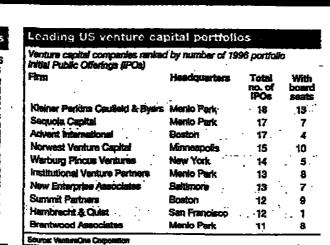
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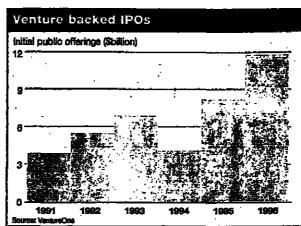
capitalism is

Silicon Valley presents an

opportunity for expansion.

The venture industry will

exportable



BEYOND SILICON VALLEY . By Nicholas Denton

A robust market

PUNDING IT STARTUPS

From facing page:

venture e

research group, has found that IT companies are on average prepared to pay more than a venture capitalist for a given stake.

Mr Kramlich of NEA says: "I'm worried that these pools of capital are growing larger. The returns are going to attract capital. It's getting more competitive. People are criticising each other. It didn't used to be like that."

There are several manifestations of overcrowding. Venture capital firms, which in the 1980s typically formed syndicates to spread the risk they faced, now often seek to invest alone. That trend shows up in a drop in the average number of venture capitalists committed to a given company, from three, historically, to 2.4 in 1996. "A lot of the VCs have so much money under management that they can't afford to team up with others," says Mr Still.

Entrepreneurs are becoming more aggressive in their negotiations with venture capitalists. The public market for high-tech stocks, returns that VCs have which sets the price entre-preneurs can achieve in an initial public offering, has risen since 1990 but for two interruptions. By 1993, according to VentureOne, the robustness of the IPO market was beginning to ing, they are victims of sucaffect valuations for venture cess.

Survey

investments in companies just before they went public. CheckPoint Software, an Israeli company which develops internet security software, went as far as hiring Broadview Associates, the advisory boutique, to manage an auction in which venture capitalists bld to invest in the company. Ms Cristina Morgan, head of investment banking at Hambrecht & Quist, says: "The VCs are

having to pitch for every-thing, which is funny." By last year, booming valuations were beginning to filter down to startups. Internet companies at an early stage last year tended to command valuations about a fifth higher than the historic average. There are some extreme examples. "One entrepreneur came into our office wanting a \$15m valuation," says Mr Draper of Draper Fisher Associates. "He had two employees and hadn't even started business

Nevertheless, venture capitalists should not grumble too much. The valuations are a reflection of the obtained in the 1990s. And the chutzpah of the Silicon Valley entrepreneur, which the VCs have themselves encouraged, drives the industry's vitality. To the extent that VCs are sufferIt is not vet clear not fighting. Second, there are new opportunities for investment in sectors such as retailing and media which are being influenced by information technology. Again, Kleiner Perkins has supplied a model It invested in Amazon.com, he market for startup the internet book retailer,

companies may be valued at about \$430m when growing as overpriced as that that for floated last month. However, neither of these real estate in Silicon Valley, new areas is particularly but venture capitalists in appealing to Silicon Valley search of investment venture capitalists. First, projects enjoy two relatively many VCs take after Mr untapped opportunities. Don Valentine, the founder First, there are new of Sequola Capital, in clusters of information adopting an area code rule. technology business This means that every developing outside Silicon company should carry a Valley. Companies such as telephone number Progressive Networks, the beginning with 408 or 415: in

developer of the RealAudio other words, it should be in software for music and Silicon Valley, close enough voice over the Internet, are for effective supervision. "You need to breathe the springing up around Microsoft in Seattle. And same air as the management, see the look the Internet makes it easier for software companies in the management's eyes," outside the US to distribute says Mr Neil Weintraut of their products. 21st Century Venture The growing viability of Partners. "You need to meet IT companies outside their customers face-to-face

and smell their

that on camera.'

environment. You can't do

spread all over the world." International investments are more risky. For a start, says Mr Tim Draper of Draper Fisher Associates. they are far away. "By 2015, venture capital Moreover, nowhere has Silicon Valley's will be everywhere." One UK matchmaker infrastructure of lawvers reports the delight of Silicon such as Wilson Sonsini and Valley venture capitalists banks such as Silicon finding investment Valley Bank, which prospects for which, for specialise in startup once, their competitors are companies. "You can move

VCs to other parts of the world, but it is difficult to move the other parts of the machine," says Ms Ann Winblad of Hummer Winblad Venture Partners.

Untapped opportunities

Second, venture canitalists are uncomfortable with businesses which make their money out of consumers. They use a gold rush metaphor: the people who made the money were those who sold the shovels rather than those who dug for gold.

VCs typically prefer the companies which make the tools for business, rather than the businesses themselves. And there is the issue of familiarity. "VCs typically don't predict consumer behaviour very well," says Mr Jim Breyer of Accel Partners.

inally, any expansion would put the structure of venture capital firms under strain. Even the leading outfits have fewer than 10 full partners. They meet, usually every week, to discuss each other's favoured investments. The carried interest, the 20 per cent of investment gains in a fund which a venture capital firm keeps, is traditionally distributed

equally among the partners. Many firms are reluctant to expand lest they spoil a culture which has served them and their investors well. NEA, for instance, will hire no more people than

can fit in its new office in Menlo Park. "What I wanted to do was to bound the growth of our firm with glass and concrete," says Mr Dick Kramlich of NEA. Venture capital is an art form and I didn't want the firm to get too

bureaucratic." Some alternatives to the standard partnership are emerging. Many VCs, intent on increasing their expertise but wary of overloading the partnership, are hiring consultants.

Institutional Venture Partners, for instance, has begun to adjust the rewards of its partners to reflect their individual performance, as do larger partnerships such as Goldman Sachs, the investment bank. And one VC, Advent International, i going even further. It has about 70 venture professionals spread widely. Of the 24 companies in its portfolio which went public last year, seven were from outside the US.

However, it is not yet clear whether the Silicon Valley model is exportable. Mr John Doerr of Kleiner Perkins, which, along with many other VCs, has its offices on the Menlo Park road, located along the edge of Stanford University, has his doubts. "We still get a lot of Japanese visitors who come to our offices and take pictures as if they could capture what goes into Silicon Valley by taking pictures on Sand Hill Road,

PROFILE: Ann Winblad

The Queen of Mesopotamia

Ann Winblad has some of the best contacts in the high-technology industry -

esopotamia, the cradle of civilisation: that is what Ms Ann Winblad calls the cluster of technology companies around San Francisco in northern California. Were Silicon Valley indeed a domain, Ms Winblad, cofounder of Hummer Winblad Venture Partners, might be

queen. The 46-year-old venture capitalist, pictured on the facing page, features regularly in the new elite identified by style and technology magazines such as Vanity Fair and Upside. Ms Winblad. who collects all the clippings, relishes the attention. "John Doerr [of Kleiner Perkins), who is an extremely bright guy, is the most

well-known VC," she says.
"I'm probably the second." This is more than tokenism on the magazines' part or vanity on Ms Winblad's. Hummer Winblad's first fund, in its eight years, has achieved average annual returns of about 50 per cent. The partnership manages about \$100m of venture money. And Ms Winblad is one of the most authoritative commentators on the direction of the technology sector. Ms Winblad, unlike other VCs such as Tim Draper who is the third generation of his family in the business, was not born into the Silicon Valley aristocracy. She was brought up in small-town Minnesota, where her father was a high-school football coach.

Moreover, her involvement in venture capital is relatively recent. She began her career as a programmer. before in 1976 co-founding an accounting software company, called Open Systems.

The \$15.1m proceeds from the sale of the company to UCCEL Corporation in 1983. divided among the founders and investors, helped make

Ms Winblad relatively wealthy. Nevertheless, Ms Winblad only found her ultimate metier in 1989, when she joined with John Hummer, a former professional basketball player, to found a venture capital partnership.

FT - I T

They remain outside the mainstream, partly because of their exclusive focus on investing in software companies, but also simply because of their location: now in Berkeley, soon to move across the bay to SoMa in San Francisco itself, still far from the epicentre of venture capital, further south in Menlo Park in Silicon Val-

"There is something of a sheeplike mentality: breakfast at Buck's, lunch at the Sundeck or Il Fornaio," says Ms Winblad of the meeting places down in Silicon Valley where venture capitalists usually evaluate entrepreneurs. "We are perceived as a bit of an outsider."

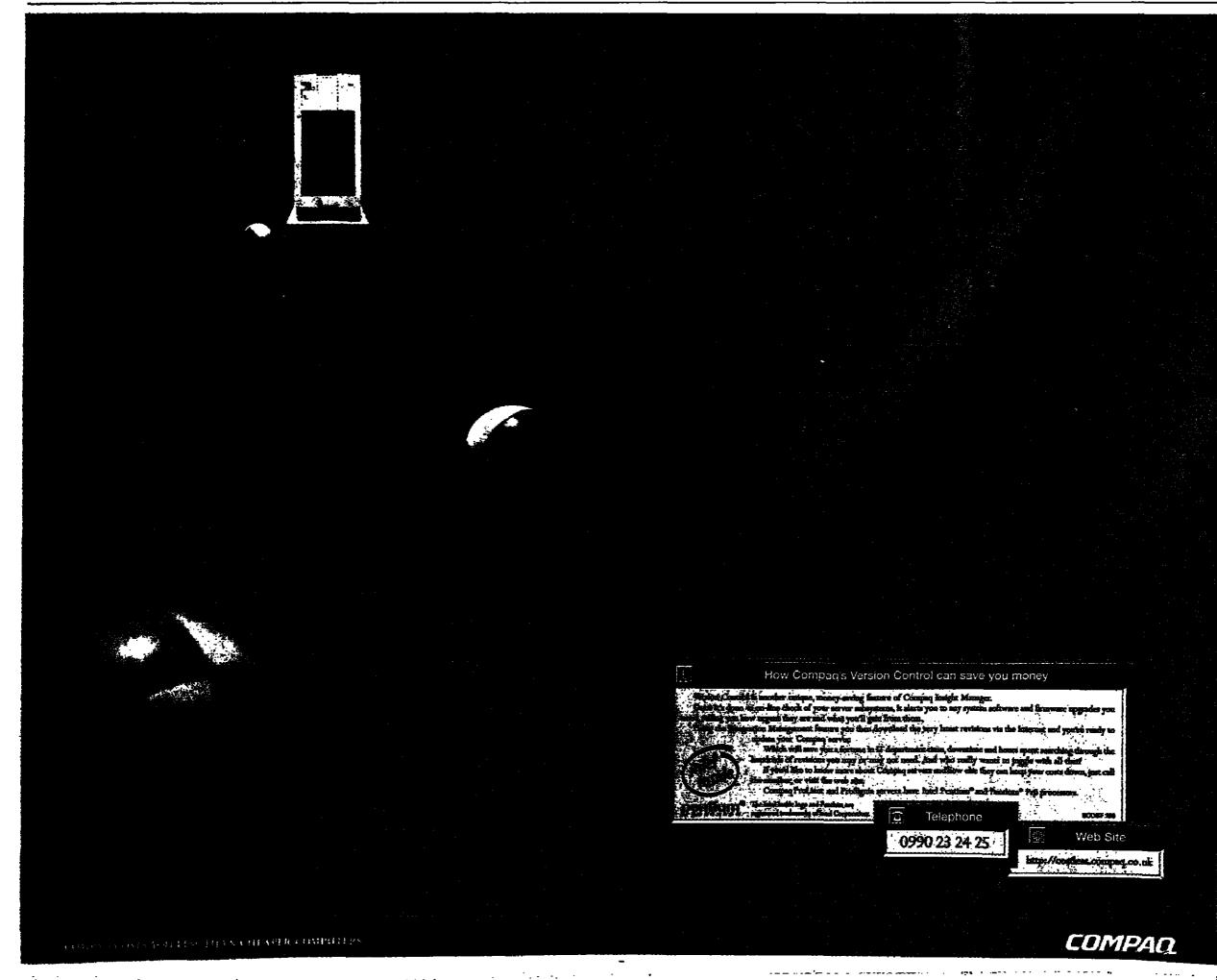
Cowever, that is more the image that Hummer Winblad projects than the reality. Ann Winblad has some of the best contacts in the hightechnology industry. For instance, in the mid-1980s. she and Bill Gates, chairman of Microsoft, were a couple. and the two remain friends.

Ms Winblad's clout helps attract managers, one of a venture capitalist's most important functions. She tells how she wooed Monica Nestor, a vice-president of marketing at Symantec, to Intrinsa, a software company in Hummer Winblad's portfolio which develops debugging tools for other developers.

"We have the best chance of attracting managerial talent. We help persuade managers to commit," says Ms Winblad.

She is keeping Silicon Valley's cradle rocking. "Here in Silicon Valley, people know that companies can do or die depending on the support they get from investors," she

- Nicholas Denton



ANALYSIS . By Paul Taylor, IT Correspondent

Companies are asking tough questions about their IT systems

Cost-conscious users are looking for IT suppliers and partners who can provide them with end-to-end solutions to their enterprise-wide data processing, network and communications requirements

important crossroads. The astonishing growth of the Internet and rapid adoption of Internet technologies within businesses is forcing companies to re-examine their operations and take a more holistic approach national towards their IT require-

In the process, corporate boardrooms are investigating issues such as total cost of ownership, whether their current systems provide value for money and if they will be capable of ensuring their success in increasingly competitive and fast-moving global markets.

Spurred by concerns about the cost, performance and manageability of traditional client/server systems built around 'fat client' personal computers and local area networks, many companies are questioning their IT strategy. "Most people agree that it is time to take another look at client/server systems," says Mr Ray Lane, Oracle's chief operating offices.

As a result, some companies are swinging back towards a more centralised or 'enterprise' model of computing, sometimes based upon a three-tier model of database server, applications server and thin client. "The database side doesn't change," says Mr Lane, "the client' hardware that of these changes he predicts big change is in the middle

But some analysts see the change as far more fundamental. "The return to cen- cards for printing and nettralised computing is a major earthquake, and as with all major earthquakes Java language that can scape," says Mr Robin Bloor, ronment that supports its based model of client-server

Neil Melville of Nissan

Motors knew the obvious

benefits of consolidating all

the company's European data

centres into one. Not so obvious

were the enormous difficulties

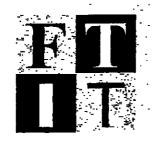
of getting it done within

six months and without

SPAN MANUFACTURING

The world of corporate chief executive of Bloor interpreter. computing is at an Research in a report that

was published last year. "Some of the buildings will be left standing and others will not. Its tremors will be felt across the world by IT vendors, by all types of organisations and even by economies. According to Bloor, there are three technology developments that are driving the return to centralised com-



Enterprise computing

Here and on the following seven pages, FT writers highlight trends in corporate networks

equates to a stripped-down PC. consisting of an inexpensive CPU, memory, monitor, keyboard, mouse and ports/

work connection. ☐ The emergence of the

☐ The maturing of mas-

sively parallel processing hardware, which can be used to replace multiple central servers and PC local area network servers with a single machine. "It is the coincidence of

these three technologies together with the growth and maturing of the Web that are the cause of the earthquake to which we refer and which will send us in the direction of the global integration of computing," says the controversial

Mr Bloor argues that the likely consequences of these changes include a gradual decline in the PC market as corporate desktop PCs are replaced by thin clients such as the Network Computer proposed by Oracle, Sun Microsystems and their part-

At the same time, he predicts that PC operating systems such will be superseded by a browser supporting a Java-enabled environment and that most applications software will migrate to Java. Equally controversially, he suggests that the corporate server environment, which is currently very buoyant, "will consolidate into a small number of boxes and ultimately a single box."

Among the consequences

☐ For corporate IT departments - the mainframe approach to computing is returning, but it will be 'a mainframe by other means'. There are significant opportunities to cut the per user it will rearrange the land- run in any computing envi- IT costs. The emerging Web-

massive business interruptions.

Melville had heard that EMCs

Enterprise Storage offered more

than just a shared repository,

but he was amazed at how

fast and trouble-free the

system's platform independence

made the migration of more

MANUFACTURE

computing will need to be understood and implemented. Most organisations will need to pick strategic technology partners to help them through a possible painful migration period.

☐ For companies as a whole - IT will become an increasingly more important component of the competitive edge. The level of outsourcing will increase, especially for facilities management. Most businesses will become Web-orientated - building intranets behind security firewalls. Organisations will need to rethink their businesses in most areas including location, office space, sales and marketing, distribution and

□ For IT suppliers Those that depend most on the PC market are likely to suffer most. Those that depend most on the server and services markets are organisations don't need likely to prosper.

personnel

While other analysts may disagree over the extent of the swing back towards a centralised computer model. there is a broad agreement that some re-balancing of roles within distributed computing systems is desirable and, to some extent, already

Indeed, although many people are convinced that the Oracle/Sun/Netscape NC initiative was initially motivated as much self-interests and the desire to build an anti-Microsoft coalition as concern over factors such as cost of ownership, it has undoubtedly found a resonance among the industry's corporate cus-

Reflecting this, Microsoft

than 500 gigabytes of data. The

combination of speed, mirroring

and platform independence

eliminated downtime com-

pletely and tripled potential

productivity. To find out

how EMC Enterprise Storage"

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one will save a considerable amount

each year and we'll be able to meet

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Business pressures: a weary moment for a foreign exchange dealer, but there are headaches, many IT systems managers facing intense demands for enhanced, enterprise-wide solutions

sonal computer manufactur- now available," he says. ers, such as Compaq, have been quick to counter with their own proposals for cutting ownership-costs and improving the scalability, nageability and reliability

of PC-based systems. Similarly, far from heading towards extinction, the reworked mainframe is enjoying something of a renaissance - especially for finance functions. In a report produced for IBM's S/390 mainframe business, Mr Dennis Keeling, a UK-based IT consultant, argues that "a mood of change sweeping the marketplace favours a re-examination of the main-

frame server solution." "It has been fashionable to think that large modern mainframes. But while street fashions may come and go impact on anyone, it really could be very damaging even fatal - for any large business to try and be trendy by limiting or restricting the role of its

mainframe systems." He points out that in the last year all the leading software developers including consolidation in the IT SAP, Oracle and JD Edwards have created mainframe versions of their business applications packages.

"Big corporate users are replacing their financial systems, rather than upgrading them, because of the new

Intel and the traditional per- family of flexible packages

"The mainframe's popularity is rising again as large corporates implement it as a the end of the day, the reality is that desktop systems have become a support nightmare, that open systems have not been scalable, and that the top limit for typical Unix servers is 1,000 concurrent users at best.

At the other end of the spectrum, the thin client debate has re-ignited interest in old-style 'dumb' terminals and revitalised vendors such as Wyse Technology which expects to sell as many as 250,000 of its Winterm thin client' devices this year.

eanwhile, the shift in market senti-■ ment is also without much negative reflected in the search by companies for IT suppliers and partners who can provide them with end-to-end solutions to their enterprisewide data processing, network and communications requirements.

This, in turn, is driving a new round of mergers and industry itself. Nowhere is this more apparent than in the networking equipment market - at the heart of the exploding Internet and intranet. For example, Cisco has emerged at the undisputed

networking equipment mar-

of acquisitions which enable the group to deliver a full range of networking technologies to its corporate cus-

Others are trying to emulate Cisco's success. For example, analysts view Ascend's recent \$3.7bn purchase of its fellow networking equipment vendor, Cascade, as an attempt to build another networking 'onestop-shop'.

Among those IT suppliers facing the greatest challenge are Compaq Computer, Intel and Microsoft. Microsoft has responded

by attempting to extend the reach of its software even deeper inside the corporate IT infrastructure. In particular, it is attempting to strengthen the appeal and scalability of its NT operating system and back office suite of corporate applications by adding clustering and other technologies which large corporates say they need.

For his part, Mr Eckhard Pfeiffer, Compaq's chief executive, has said he aims to transform the \$8bn-a-year PC vendor into a top three \$40bn computer group by the end of the decade capable of competing with existing endto-end suppliers like IBM.

Underscoring their determination to rise to the challenge posed by enterprise computing, Compaq and
Rise of the virtual corpo-Microsoft have gone onto the

offensive. Last month as part of 'Microsoft's Scalability Day', the pair demon-strated that a distributed database running on Windows NT and 20 Compag ProLiant could handle more than a billion transactions a day - sufficient for an enterprise class branch-banking computing system.

ust how successfully those companies - such as Compaq, Microsoft and Intel, which dominate the PC market - can underway in the corporate computing world remains to be seen, though all three have proven themselves well-able in adapting to and exploiting change in the

Mr Robin Bloor suggests that IT is in the midst of the 'third wave' of technology changes. The "batch wave of the 1960s and 1970s was dominated by a centralised resource that users shared in an organised manner. This was followed in the late 1970s and 1980s by the "online wave" which distributed these resources to departments running minicomputers. Then came the "distributed processing wave" of PCs connected to a corporate network which has been emerging since the mid 1980s.

In phase one of the third wave, PCs were hooked up to servers. Mr Bloor argues that the second phase, which we are now entering, will see the advent of thin client hardware and Java that will support "a more economic approach to distributed computing."

Phase three, he admits, is difficult to predict, but describes it as "the global integration of computing".

'The Enterprise by Other Means', Bloor Research Group, (44) 01908 373311. Managing Risk in Times of Change', IBM (44) 0990 390

Corporate bottlenecks: see report, page 6 ☐ Emergence of the 'PCmainframe': report, page 10

INTERVIEW • Rod Newing talks to Steve West, president of Hitachi Data Systems

Mix-and-match mainframes

Consolidation in the financial services industry is helping to boost the demand for new-style mainframes for large-scale computing

kets for high-end mainframes and personal computers: both markets are driven by the need for dollarvalue and enhanced comput-

competing on price, features and function - and it is just the same when a data centre manager is buying a mainframe." says Mr Steve West president and chief operating officer, Hitachi Data Systems (http://www.hdshq. com). "The market for computers to run large data-bases and big applications is also highly competitive."

California-based Hitachi Data Systems (HDS) is 80 per cent owned by the Japanese electronics giant, Hitachi, with US systems integrator EDS owning the other 20 per cent. HDS meets the need for high-end computing with a range of IBM S/390 compatible mainframe computers and storage devices. Its Skyline range of mainframe computers are claimed to be the most powerful commer-

cial computers in the world. There are other similarities with the PC market: "In the mainframe market, nobody is exclusive," says Mr West. "Customers mixand-match mainframes, too, based upon a notion of not getting tied to one vendor. However, it is a false sense of security since only we and IBM are in this market - and we offer the same architec-

HDS has always concentrated on big-scale computing for large data centres. for large system computing was dying, but the S/390 market now has a strong worldwide growth in sales.

"We are comfortable with where the market is going and with our opportunities." says Mr West. "Our customers are large corporates with a need for enormous amounts of computing power in a centralised location. The risk of lost data in such large systems is very

here are many similar-ities between the mar-tom line of our sales pitch is 100 per cent availability."

Fifty per cent of HDS's business is replacement of IBM or Amdahl machines. Mr West explains that the main reason for these wins "A PC without software is is HDS's sharp focus on the ompeting on price, features market: "Large-scale computing is all we do. We are not an end-to-end solution provider and we are not the biggest, but we concentrate on building relationships with our customers."

> HDS has a service organisation which focuses on helping customers to run their data centres better. 'Customers want to concentrate on business applications, not technology," says Mr West. "We are here to help them succeed with their

any new mainframe sales are LV 1 coming from telecom companies as a result of deregulation in the US and Europe. Itemised phone billing, for example, requires vast amounts of storage and computing power.

The consolidation in the financial services industry is also creating demand for new machines. Mr West attributes the increased demand for mainframes not just to their price/performance, but because more enterprise data is wanted by users in the central office, local/home offices and when travelling.

Huge amounts of computing power are required to put information into digital format, to store, manipulate Three years ago, the market and deliver it to end-users in a "visually exciting and pleasing format".

The users' desire to gain access to information is driving everything in the industry, says Mr West. "We make the world's largest computtions, connecting 50,000-60,000 users."

There are 149 Skyline machines worldwide: the cost of these machines is, typically, around \$5m. The largest customer is Deutsche 100 per cent reliability in Telekom which has 10 of operating systems at the

them. Their combined power is 8,000 million instructions per second, (Mips - the measure of mainframe computing power). That is roughly equivalent to 16,000 personal

HDS is unashamedly concentrating on building largescale machines with poweris dismissive about IBM's strategy of using cheaper, less powerful processors and linking together separate machines through its Parallel Sysplex clustering technology. "Do you want to pull a cart with a horse thousand chickens," he

The millennium datechange problem for computers is taking IT resources, so HDS is seeing a hiatus in software development. However, some users have brought forward their planned Skyline purchases. using the new machine for millennium data-testing, with plans to convert it to production use later.

In September 1996, OS/390. the mainframe operating system that used to be called MVS, was awarded Unix 95 Profile Brand certification by the X/Open Company, the Unix standards organisation, now part of the Open Group. IBM and Amdahl are pro-

claiming the Unix 95 branding as a big step forward, giving their S/390 mainframe owners access to business packages, such as SAP, Oracle, Baan, JD Edwards and JBA, as well as Internet and intranet software, including Java and Lotus Domino. Mr West does not share their enthusiasm. "OS/390 is trying to put a square peg in a round hole. Unix applications are not efficient on the mainframe." HDS manufactures the

Osiris, a mainframe-based Unix super-server. "We know that Unix is running on an S390 works, but it isn't successful in the market," says Mr West. "The architecture needed to run MVS is different from Unix. It's like ers for commercial applica- putting lipstick on a bull-

HDS is looking at what is next in large-scale computing, although nothing will be announced for two years. "MVS, Unix and Windows NT will be the dominant



Steve West: 'The users' demand for access to information is

turn of the century," he pre-dicts. "There is an affinity between large-scale Unix and MVS processing. There may be an opportunity to sell a large-scale Unix box, similar to a mainframe, but with a processor and architecture signed to run Unix code. "Current Unix servers

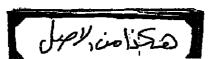
aren't very big in terms of processing power. One box could replace a cluster of 10

A machine for Windows NT is further down the road. According to the agreement under which EDS and Hitachi purchased National Advanced Systems to form HDS, EDS is allowed to appoint the president and chief executive officer of HDS, and Hitachi appoints

the chairman. Working for a Japanese parent certainly gives you a different perspective," says Mr West. "You need to have a sensitivity to other cultures and know the differences. However, their business objectives are no different from ours and they are wonderful people to

work with. "The new generation of Japanese executives has an international outlook: these people also have an ability to express themselves in English, which allows a

close relationship." Mr West believes that people who are involved in technology need to take an end-user viewpoint: "They just want data and don't care about the platform or access method. You mix-andmatch mainframes to meet their objectives - and every



Enterprise computing: intranets and extranets

Unix applications and the S

As an enterprise database

server, the S/390 offers cli-

and large numbers of users.

"The industry needs to

"Client/server was the

answer to the spiralling

costs of the old mainframes,

but people now understand

their business processes and

delivering data across the

enterprise, which got lost in

the euphoria to throw out

the mainframe to reduce

The enterprise server faces

fierce competition for new

applications on its own sites,

but also has the opportunity

to consolidate multiple serv-

"If you ask Digital, Hew-

lett-Packard, Sun or our own

RS6000 group who their best

customers are, they will also

be my best customers," says

MrArthur Parker, head of

IBM's European S390 busi-

ness. "Most big organisa-

tions have everything and

ers. There is a huge opportu-

nity to capture new applica-

tions from just the top

thousand organisations in

very fast towards new Intra-

net and Internet applications

Organisations are moving

Europe.'

costs.

ENTERPRISE SERVERS

Small but powerful

That old term, "mainframe" They are linked to Oracle or is obsolete, since it has been DB2 database software replaced by an "enterprise already written for MVS. server" which is just like However, Unix '95 branding any other server, except that has brought the required it is more powerful. connectivity between the

IBM announced last year that full Unix capabilities 390 databases. had been successfully brought to enterprise servers. Its OS/390 operating system had achieved Unix 95 Profile Brand certification transaction volumes with by the Open Group, the Unix standards organisation. OS/ 390 includes the MVS operat-

manage the enterprise server better than the client/ The mainframe has migrated into a large server. server explosion," suggests predominantly based on Mr Paul Clark, European IBM's S/390 architecture, managing director of techniwhich is also used by cal services at Electronic Hitachi Data Systems and Data Systems, the computer Amdahl, although other services company. operating systems are in use.

Compact

The S/390 is a compact air that the situation has cooled machine that occu- reversed. They now look at pies an area one metre square and stands two select the best solution for metres high and can be managing information and located in an ordinary office environment. Multiprise 2000, the entry level version. starts at £50,000.

Shipments of \$/390 systems are increasing when measured in Mips (millions of instructions per second. the measure of computing power), representing an 18 to 20 per cent growth in ers.

installed capacity. With the announcement of Unix '95 branding, the traditional Unix client/server application vendors, including Oracle, SAP, Peoplesoft, JBA, JD Edwards and Baan were quick to announce that they now support OS/390.

SAP announced that they are the biggest spend-Amoco, IBM PC Company, Lufthansa, Motorola and CarlZeiss Jena were using their S/390 servers to run R3 nackages and Oracle named Tesco, the UK retailer, as an S390 client for its applica-

However, after investigation it is obvious that their application software continues to run on Unix servers.

Now the attention turns to extranets

BUSINESS-TO-BUSINESS LINKS . By Nuate Moran

Even the smallest companies will eventually be able to afford extranet connections with business partners

here have been startling cost-savings from the use of Internet technology to create internal networks - intranets - linking corporate islands of information, with some UK ent/server applications the ability to handle massive companies reporting a 1,000 per cent return on investconsistent high performance

"This is the year of the intranet. Get one now or get trampled in the rush in 1998," says a new survey of 400 FT and business directors in the UK by PA Consulting Group. More than 60 per cent of the organisations surveyed are already developing or planning to develop a corporate intranet. "Internet opportunities are there for the taking - security worries are more about perception than reality," says PA, (http://www.pa.consult-

Electronic

commerce:

'hesitate at

In a keynote speech at the

recent annual conference of

(DISA), Mr Harvey Seegers,

executive of GR Information

data interchange (EDI) "will

enterprise computing, as the leading enterprise resource

vendors have provided a de

through their development

of interfaces to support EDI

Services, said electronic

your peril'

the Data Interchange

president and chief

play a major role in

planning – or ERP –

facto endorsement of

transactions.

Internet-enabled EDI.

Now attention is also turnestablish extranets - networks which link one company with another over the Internet. This is redefining the supply chain, allowing customers or suppliers to serve themselves with information and conclude business transactions online. A survey of 2,357 compa nies worldwide, carried out

in the first quarter of 1997 by IBM, showed that 20 per cent had by then installed, or were planning extranets advanced Internet applications involving the sharing of corporate data with husiness partners and suppliers. Many companies would

argue that they are already achieving this via Web sites. "The distinction to look for is that an extranet provides external users with hooks to

Harvey Seegers of GEIS: This is

businesses that hesitate, do

so at their own peril...

because 1996 was the year

within a company's firewall," says Mr Paul Barker of the consultancy group,

The internet is moving on ing to using the internet to from a static marketing tool, in which companies set up a Web site to advertise their wares, to providing a network which can support strategic applications. "Our survey confirms that the Internet has evolved to the point where it is being used for grown-up business appli-Web surfing," says Mr Ivor Coleman of IBM.

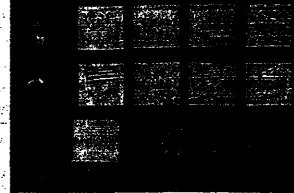
"Exchanging information over extranets costs less than exchanging it through older methods, such as faxes or voicemail," says Mr Andy Bush, intranet business manager at Sun Microsys-

Most companies begin to apply the technology by giving extranet access to companies with which they have existing relationships. For example, when Sun out- in the 1980s by linking mansourced its shipping to a third party, it established an extranet connection between the relevant databases of the two companies.

"Companies may have a few or many extranets, each representing a relationship with a particular supplier or group of suppliers. In the case of Sun's shipping partner, the relationship is one-to-one. But a reseller extranet, for example, may be available to dozens or hundreds of partners," says Mr Bush

Perhaps the most famous example of this is the shipping company Federal Express, which gives customers extranet access to check the progress of their Another example is the

software company, Auto- EDI, and the costs and comdesk, which has opened up its customer services database to 4,700 distributors ing business relationship," worldwide to answer queries says Mr Joe Alsop, president and place their own orders, allowing Autodesk to redeploy 20 per cent of its customer services staff.



Giving staff a clear view of the busine

IT and husiness directors carried out earlier this year by PA Consulting found that current use of the Internet is dominated by e-mail, access cations, not just e-mail or to external information sources and for advertising

and promotion: About 10 per cent of respondents said they are using the internet for customer-support, and a very small number (1-3 per cent) are using it for invoicing and payments, in some cases replacing existing electronic data interchange (EDI) appli-

partners to work together in the same way as EDI helped ufacturers together to suppliers. The difference is of course that EDI is a closed set of standards which required a huge investment in infrastructure," says Mr. Colin Gounden, managing director of communications specialists, Conduit Groupware Solutions.

The low cost of setting up extranets compared to traditional EDI networks will lead to a great expansion in businessto-business electronic commerce, with even the smallest companies able to afford extranet connections. The term 'EDI Lite' has been coined to describe this devel-

"Previously, only the largest companies could afford plexity of setting up an EDI link pre-supposed an existof Progress Software. "The Internet allows you to send a proposal to a vendor you

in the UK, a survey of 400 with. This will lead to a restructuring of the way we all do business. You can turn the terminal around and let your customers and suppliers serve themselves with information and conclude the transaction on

> Mr Alsop says Progress's WebSpeed software enables companies to carry out transaction processing via talk about doing EDI over extranets, but I don't know of anyone doing it yet," says Ms Denise Fellows director of consulting at the Internet service - provider_ Uunet. "The key thing is that there is now an understanding that firewall security is good enough to allow access to internal systems."

Regardless of how many parties have access to a company's data, security needs to be a joint effort, says Mr Bush. Each party involved has to have adequate security in place, to protect not only its own data, but that of its partners as well.

'Unless the correct measures have been taken an internal security breach at one company could lead to security being compromised in a partner's network," he adds.

One incentive to develop an extranet is that it allows information technology departments to take back control of Internet applications, according to Mr Lalit Nathwani, European director of network services at Unisys. "In many cases, use of the internet has led to the same sort of anarchy that was experienced when PCs were first introduced, with departments going out and

don't have a relationship Continued on next page

Intranet brings big savings for BT

In just over two years British Telecom has developed an intranet internal information network, based on Internet technologies - which is now used by 55,000 people a day, with another 10,000 users due to go online this

The fast-expanding system gives BT staff immediate eccess to information needed for customers inquiries, allowing swift in the past, might have taken days to produce.

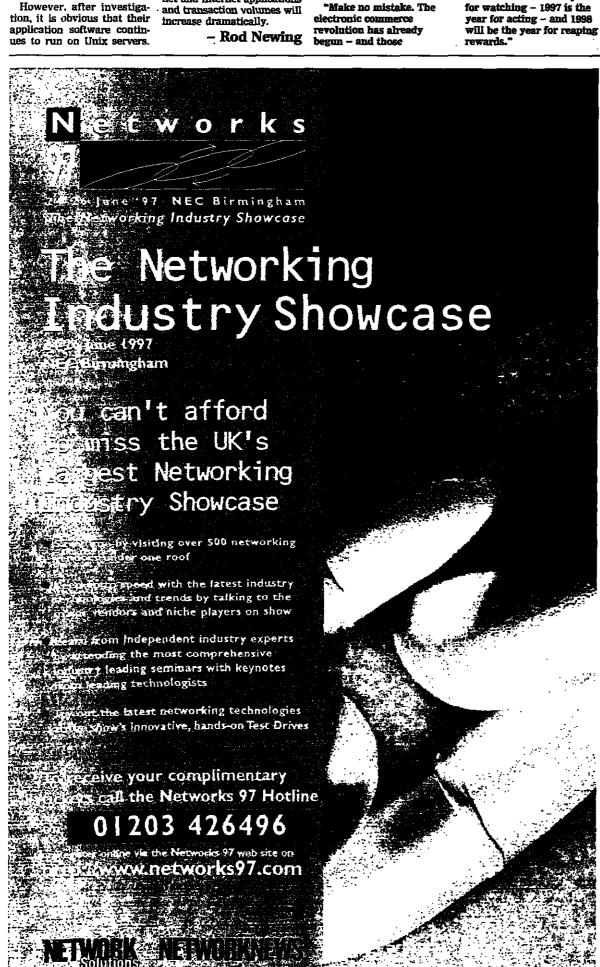
In financial benefits alone, BT estimates its eturn on the £10m intrane investment at more than 1,500 per cent. Savings for the financial year just ended are £663m - ten times the figure originally forecast two years ago. Technical staff describe the intranet project as "the single most successful systems investment the company has ever made."

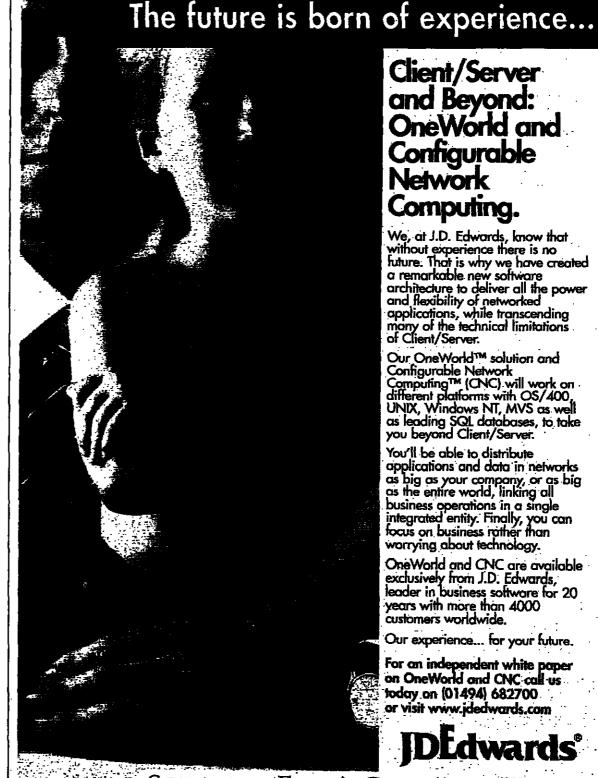
Home pages BT allows departments to home pages, or sites, which provide the information they believe colleagues require. The ability to track usage confirms what is truly valuable - and what is not. Popular sites attract up to 1.5m hits a mouth.

'Managers no longer have to act as information 'sluice gates' - rather, they can concentrate more on building teams and solving problems," says Mr Charles Lowe, who is responsible for e-mail and intranet projects at BT.

In a new approach to information management. nanager, says that "before the intranet was launched we used to have a 'push me system that just pushed information out. We wanted to move to a 'pull me' system where an individual was able to identify and get the information they ne

- Michael Wiltshim





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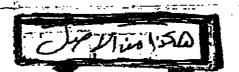
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ENTERPRISE NETWORKS . By Joia Shillingford

The battle to unblock corporate bottlenecks

How can network managers ensure their systems are up to scratch? The short answer is: by spending money

LV1 conspiring to clog up networks. "The most important of these is the growth of applications," says Mr Carsten Wegmann, a research director at the Gartner Group. "Applications are not just growing. they are spreading. The network is becoming the com-

Instead of being stored in one place, such as a mainframe, or split between client and server, data and software are being spread around the network. The most obvious example of this is the Internet, where a user jumping from one web site to another may visit multiple servers in minutes.

Such changes in the changing network traffic patterns. Instead of obvious links between users' terminals and a central system, any point on the network.

This not only increases the level of traffic on the network, it also makes it unpredictable. Small wonder, then,

any different com
with its huge numbers of audio, are all part of the puting trends are unpredictable internet users internet/intranet experience. is online.

Big corporations could also face slowing networks as they install intranets (private internets) or connect to the Internet. In fact, says Mr Wegmann, the better a job the network manager does, and the more accessible everything is, the more unpredictable traffic will be.

But the spread of Internetstyle computing is not the only reason networks are getting clogged up. The second biggest cause of bottlenecks, according to Mr Wegmann, is remote and mobile workers trying to connect to the corporate network. The need for "replication"

also means a big demand for network capacity. For examnature of applications are ple, when a Lotus Notes groupware and messaging application is updated, a new version can be broadcast instantly (or "replicated") to users will be able to access all the relevant servers. Users want replication, but it can be heavy on the net-

In the longer term, multimedia applications, such as desktop video-conferencing slow, especially when the US may also take their toll on

So how can network managers ensure their networks have enough capacity? Like everything else in computing, by spending money.

"For the last 10 years, they got away with it by making incremental changes," says Ms Wegmann. "This time it's

Spending on networks will rise by 1,000 per cent in five years

different. Networks need to be completely redesigned for the new style of computing. Users will have to restructure their networks in the next three years, and we question whether they will have the financial capability. "A lot of network managers haven't told their bosses

what size of cheque they'll have to write." Some users are adopting a wait-and-see approach. This is risky, according to Mr Wegmann: "Those who get

video, graphics and audio all the newer network designs consume large amounts of are taking the least bandwidth. Graphics, and to long-term risk because it a growing extent video and takes a long time to change takes a long time to change a network."

He believes network managers need to adopt a new network topology, a new set of services, and possibly even a new set of vendors. There are, he says, three types of network:

■ The intra-enterprise network, such as the local area network (Lan) and the wide area network (Wan). Inter-company networks, such as those used for elec-

tronic commerce. Business-to-consumer networks, many of which will be driven by the Inter-

tronic funds transfer or elec-

Networks are getting cheaper, say researchers at the Gartner Group, but because of the large increase in capacity needed, companies will have to spend more. Gartner is expecting spending on intra-enterprise networks to rise by 300 per cent in the next three-to-five

Spending on inter-company networks will rise by vary in different parts of the network 500 per cent in the same He thinks most corporates period, and on business-towill choose Asynchronous consumer networks by 1,000 per cent, albeit from a low Transfer Mode (ATM) - a superfast (155 megabits a

Nor will it just be finance second or more) solution companies reaching out to for network backbones. Around the edges of the network, he expects them to use Ethernet or Fast (100Mbps) Ethernet. And for Wans, he believes they will use a mix take place on the edges of of frame relay, ATM or X.25, the network, not on the a long-established packet switching protocol.

Opportunities

He expects companies to buy some of the services they need from telecoms carriers. Because of deregulation, they are offering good from 64 Kbits to several prices for ATM, frame relay,

and so on. They may also use third-

NETWORK CONGESTION • By George Black

party services to connect the company's intranets or to link the company to the Mr Henry Ritson, a spokes-

man for Internet service provider UUNet Pipex, says that 64 kilobits a second ISDN (Integrated Services Digital Network) is satisfactory for the smaller corporate network, but a medium-sized company wanting to give users continuous online access to the Internet should install a dedicated leased line operating at anything

megabits. tends to occur in peaks, the across the network.

Delays are avoided

Videoconference networks have increasing applications, allowing speedy decisions in many areas of business. For example, BT Visual Business Area (VBA) has supplied video conferencing equipment for the Global Challenge yacht teams to use in each port of call. Oswald, marine busines manager for UK-based VarityPerkins – which supplies the main propulsion engines for the entire BT Global Challenge fleet - taking part in a the UK and South Africa, with Alistair Hackett, the event's procurement and logistics manager, located in Cape Town. The video link enabled swift diagnosis of a technical problem, thus avoiding delays in the race

company offers a service on leased lines whereby users pay a small fee for getting the line connected, then pay per megabit of data transmitted. This means that users do not pay for more capacity than they will need for most of the day.

Some companies buy one to the internet, while others opt for many small ones, says Mr Wegman. Whatever the choice, one thing is certain; there will be a flurry of data flowing to and from the users' personal computers, Because Internet traffic as applications ripple out

INTRANETS AND EXTRANETS

How to widen the corporate network

Continued from page five:

setting up their own Web

extranets, the IT department policies and security mechamust have overall control of nisms in place. the technical architecture. of data going over the network, and if this is not taken into account, there may be problems with physical capacity of the network."

wanting to set up extranets is that they should use their intranet as a testing ground, "If you are going to set up to put the correct support

You need to be sure you There will be a steep func- can satisfy your 'internal tion increase in the amount customers' over a network based on Internet technology before you risk opening it out to customers or suppliers," says Mr Nathwani.

Mr Bush suggests that says that while only four per

and Information

Financial developments

DIGITAL MEDIA INVESTOR

data and growth forecasts are also analysed.

INTERNET IN PRACTICE

Newsletters

The advice to companies developing an extranet involves not only technical tomed to dealing menly with third parties "may have few or no problems in adapting to the extranet model of doing business". Other organisations may have to

rethink their stance on

issues such as data-sharing, ☐ A new study on the intranet market in the UK

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acquisitions, and analyses factors influencing share price movements. Market

A new newsletter, launched this month, reports on practical implementations

investment opportunities offered by the Internet, Intranets and interactive digital

media. It examines the companies involved in building the Internet, reports on

tions have built an intranet issues - companies accus- to completion, a third of couple of years. these organisations are in preparing one.

> The UK market for intraprofessional services will increase four-fold between 1997 and 2001, when it will be worth £1.2bn a year, adds the report.

Input is on http://www.

Internet applications

Switching technology could help to overcome the serious problem of congestion on enterpriseride networks in the next ouple of years.

The spread of the Internet networks in the next ouple of years.

The spread of the Internet networks in the next ouple of years. wide networks in the next has begun

the process of building or and private intranets has greatly increased not only demand for bandwidth but net systems integration and also made network traffic more volatile and unpredict-The popularity of "push" Conventional system routers may no

consumers - retailers and

even manufacturers will be

getting in on the act, pre-

The greatest growth will

"backbones" that connect

different Lans or sites, says

Mr Wegman. The type of

high-speed networking solu-

tion chosen to address net-

work bottlenecks will also

and Backweb and the development of Java-based downloadable applications will. make the traffic flow even nore erratic. Mr Dean Bubley, technology manager for research

software such as Pointcast

group Datamonitor, says these new trends are forcing companies to upgrade their networks. By moving from a shared to a switched network, they can give their staff many

times more power to communicate with each other, with suppliers and customers and with online services. Shared networks are starting to be adapted to a switched structure in order to be able to cope with the rise in network traffic and to

make use of new, power-hungry applications. These include multimedia systems combining voice, data and video as well as Internet and Routers have been the central devices for managing networks for the past decade, but they are rela-

tively expensive and do not scale up well. Adding more is no longer a cost-effective way to meet rising demand. Bridges which connect segments of a network are increasingly affected by size of the world market "broadcast storms", disturbances by which a network

can be crippled.
Switches look likely to supersede older network devices such as routers, hubs and bridges, at least in some parts of the network. because they can handle higher transmission speeds much better.

hen Mr Toby Conibear received

a call at his

printer was not available, he

help-desk position from a

PC message saying the

knew the logical steps to

"I started by telling the

UK company in Sussex.

printer's been stolen."

"After a long gap, the user

phoned back to say: 'We've

This story endorses the

view that good help-desks

protect end-users from their

own misguided attempts to

Conibear's end-user had sat

help themselves - and.

worse, each other. Mr

at his PC for some time,

then interrupted a

the printer.

pressing various keys and

colleague; their attention

was focused on the PC and

its message, rather than on

user who was puzzled by a

increasing demand for bandwidth However, the networks of have moved from the shared the future will require the 10 megahits per second Rthernet protocol to switched functions of both switches and routers. This need to combine the two technologies helps to explain the

frantic rush of takeovers and mergers in the networking Routers, invented 12 years ago, are likely to survive for many years, but routing

functions may increasingly be built into switches. corporate Lans. Mr Chris Lewis, principal analyst at the Yankee Group research firm, predicts that conventional routers will be moved from the centre to the periphery of networks.

longer be able to cope with the ever

Routers vendors put a different spin on it. "Routing functionality will start to be distributed across the network to wherever it is most needed," says Mr Jan Schlosser, a product manager for Cisco.

ocal area network (Lan) switches have only been available for around four years but have already made a big impact on corporate networks. Between 1995 and 1996 the grew from \$1.4bn to \$3.7bn,

according to Yankee Group. First installed at layer two the data link level of the International Standards Organisation's communication model - they are now moving into layer three, the network level.

To strengthen overstrained Lans, many users

Ethernet and Fast Ethernet which can provide 10 times that capacity. Not far ahead lies gigabit Ethernet. The first switching products of this kind have already been announced and

Forrester Research analysts forecast that it will solve the need for greater speed on Adherents of the alternative Token Ring protocol

have also adopted a switched version which provides 16Mbps per user. Some have upgraded to a FDDI (Fibre Distributed Data Interface) token ring structure at 100Mbps. But neither Ethernet nor Token Ring on its own looks capable of supporting the high levels of data transmission which future applications will

While Ethernet will continue to be used at the desktop well into the next century, it is expected to lose ground among large users to Asynchronous Transfer Mode (ATM). ATM is spreading more

slowly than Lan switching. A few enthusiasts have installed 25Mbps ATM for workgroups, and financial institutions such as the Halifax and Nationwide building societies have begun to introduce ATM into their network backbones, but it is not yet widespread. ATM can provide more

flexibility for networks, enabling them to call up extra bandwidth at will, but products and services.

Several telecommunications operators do provide ATM services, but users are restricted by the sparseness of operators' ATM-capable sites. How fast they extend their use of ATM will be determined by the commitment of the operators to supporting it.

According to Mr John Matthews, a principal consultant at research company Oyum. the progress of ATM is held up by lack of standards, which inhibits the development of products and means that some may not be inter-

ack of standards also inhibits the creation of which divide users into con JOR venient workgroups and can thus improve efficiency.

Mr Matthews says the ATM Forum, which promotes the new switching technology, now has so many members that its decision-making process has been slowed.

"It has become more like a typical telecommunications standards body than the fast-track organisation which it was originally," he

As a result of these prob lems, many users are still wary of making a weolesale commitment to ATM There is little evidence of success ful installation projects and even less of a return on investment or a competitive advantage from it. Users are therefore approaching the need for change, cautiously putting ln_experimental islands of ATM

Mr Matthews thinks this the right way to proceed. would not advise a big move to switching at this stage. would certainly look at put ting it into the backbone bu not to base the whole infra structure on it."

THE HELP-DESK • By John Kavanagh

and applications of Internet technology in the business environment. It features experiences of businesses currently building up their expertise and achievements in the Internet and Intranet fields. Articles will explore the core issues including business planning, review processes and the crucial aspect of Return On Investment (ROI). A must for all companies serious about the real uses of the Internet for profitable business. INTERNET FOR BUSINESS This newsletter keeps you informed of the supply side of the industry by exploring and reporting on areas of infrastructure development and financing, legal and regulatory issues, and the evolution of protocols and standards. It puts complex business issues into perspective, presenting you with a realistic, long-term view of the commercial opportunities offered by the Internet and online services. Job Title: Address: Post code: Country: Tel: PLEASE RETURN TO: FT Media & Telecoms, (New Media), Maple House.



No easy job

In spite of its crucial role in keeping a company running and saving money, the help-desk often has a poor image

user to go to the printer and money by cutting resources call me from there," says Mr to the help-desk - or not Conibear, from an unnamed even setting one up in the first place - are making false economies, according to the UK research firm, discovered the problem: the Butler Group,

"Cost increases elsewhere often prove to be more than the savings on the help-desk, because people will generally take what they see to be the path of least resistance," says the Butler Group.

"Users will bypass an overloaded help-desk and waste time aimlessly trying various approaches. Sometimes they simply give up. However, they may ask a colleague for belp. The

Companies seeking to save colleague may then make things worse - or add to the amount of time spent without solving the problem. Even if the problem is eventually

solved, colleagues are very expensive replacements for help-desk resources, as their time is diverted from their primary task. "If all this fails, users go

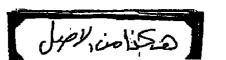
direct to people they know in network support, system development or applications support. The trouble is that they tend to go to the person who helped them last time. This mismatch leads to even higher hidden costs, not least because these specialists are also diverted from their work."

A US Defense Departmen study supports these findings: it shows that for every minute users spend consulting the help-desk, they save seven minutes trying to solve their own

The fact that user self-help costs are hidden. raises problems in financially justifying a help-desk, which is a highly visible and apparently expensive unit. What is more, the costs have increased significantly as companies have moved from central computing to distributed systems using 8 variety of operating systems and business software, says Mr Simon Scarrott, the principal consultant at the research company, Compass

"Specialist knowledge bases have been diluted," he says. "Supporting a distributed set-up is 6.8 times more labour-intensive

Continued on facing page



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IT STAFFING ISSUES . By John Kavanagh

Trend towards contracting-out

The year 2000 computer date problem will bring the future of in-house systems development sharply into focus

years might seem unlikely desperate skills shortages, but it is nonetheless gaining support as users seek new ways of achieving their IT

 $n_{elay_{\Phi}}$

The idea was proposed late last year by UK consultant Mr Philip Virgo after his research for the Institute of Data Processing Management's annual report on IT

The number of IT jobs in the UK will fall by 60 per cent, from an estimated main amendment to the 250,000-300,000 to around argument is that the bulk of Index, in an international 110,000, says Mr Virgo. He IT employment will switch study sponsored by 500 top believes the combination of from user organisations to companies, goes as far as to 1990s spending on moving services companies as users predict that "the year 2000" from central computing to distributed client/server systems, followed by the

he idea that IT huge predicted costs of employment will col- amending programs to cope lapse in the next five with the year 2000 computer date-change problem and the as companies struggle with euro currency, will cause companies to say, "Enough is enough".

He also argues that moves to internal networks, based on Internet standards for access to corporate information, will reduce the need for networking and systems spe-

These predictions were they are now gaining support from several directions, albeit with qualification. The

have cut their staff by 40 per cent on average since 1991, largely because of the recession and contracting out.

Separate research bears this out. In January, Delphi, the IT services group, surveyed 275 companies in the UK and found that the number expecting to cut IT staff had risen from 14 per cent to 24 per cent in a year.

In addition, a third of companies reported no skills shortages and a further 16 per cent felt the problem was easing. Even so, there was expected to be a net greeted with some scorn but increase in IT staff over the next two years, although the average came out at less than six per cent.

Research group CSC give up the fight to recruit and other external pressures Mr Virgo argues that the all information systems investment, remains to be

collapse he predicts is departments to move out of seen; what seems more even more marked move already in view: his research systems development likely is a continuation of towards program packages shows that IT departments between now and the turn of the growing 1990s trend for business systems, rather the century".

The year 2000 problem will bring the future of in-house sharply into focus, says Mr Brian Morris, author of CSC Index's report on the topic.

These views have now gained endorsement from Dr Paul Strassman, IT guru, author and consultant formerly IT director at Kraft Foods, Xerox and the US Defense Department. He has long argued that the benefits of IT invest ment are difficult to measure and, indeed, that IT has done little to improve business performance. In his new honk. The Souandered Computer, he backs the view that spending on the year 2000 problem will make senior executives look closely at

their IT investments. Whether such spending and retain experienced staff. will force more than half of reviews will bring a halt to

tivity issues are being tack-

led by the growing number

have sprung up specialising

towards using outside help in some way.

In the UK, a quarter of all systems development IT is now contracted out, according to a new study by Professor Kit Grindley of London School of Economics for the research firm, Compass. This compares with less than 15 per cent in 1993. Scandinavia is rapidly adopting this way of working, programming old programs with the amount of IT contracted out moving from less than five per cent to more than 20 per cent in three years. In Germany, which

> is approaching 20 per cent. Prof Grindley points to in-house staff are no longer the best source of up-to-date knowledge and that a contractor can be a business partner, rather than a prey-

has a do-it-yourself tradition,

growth has been less but the

amount now contracted out

ing supplier". His research shows an

than systems developed by a company's own staff: more than 45 per cent of business software now in use was bought as a package. In the UK, this has increased from less than 25 per cent in 1993. Prof Grindley concludes from these findings that "this is a clear indication that programming - and re-

All this points to a significant shift in IT employment towards the services sector, which is currently booming and, indeed, held back by skills shortages: the Computing Services and Software "the acceptance that Association in the UK says its member-companies have a 10 per cent staff shortfall.

The biggest Europeanowned IT services group, Cap Gemini, is seeking 1,000 new staff in the UK alone this year, to add to its existing 4,800 people. The new recruits will include 300 Oracle specialists and 200 new

"We are turning business away because of shortages of specialists in Oracle, object technology, Informix and even Cobol," says recruitment manager, Mr Kieran Norris. "This boom has been going on for five years and we can see it continuing way beyond 2000. That's a long time in the IT industry."

Elsewhere, Oracle itself is seeking 200 new graduates in the UK this year. CMG, which launched a recruitwork a year ago, has increased its target from 30

The move towards Interers Digest, for example, net/extranet systems (see page 5) has created yet another breed of IT specialists, comments Mr Craig Coverman, managing consultant at Longbridge Interna-

> "As prices increase for these skills, technical people are drawn into the market or they re-train to take advan-

no longer understood - is proving too difficult for busi-

Kit Grindley, Professor of Systems Automation, London School of Economics: in-house IT staff face tough problems

tage of higher salaries," says Mr Coverman.

bined. However, today's des- five years.

perate skills shortages and Such demand does not moves to external services suggest a jobs market col- suggest that staffing issues, lapse, although services at least among users, could companies supporting many be well on the way to getting customers need fewer staff sorted out - one way or than those customers com- another - within the next

'The centre of the world' for IT users

From facing page

than a centralised arrange-

ment, on average."

This dilution of knowledge also makes it increasingly unlikely that the person answering the telephone can solve the problem, again increasing the costs.

Ovam, the research group, says the cost of handling a query about a business system quadruples if the person answering the telephone has to refer the problem to a supervisor - and the figure quadruples again if the query then has to be passed to the system developer. Another issue is that IT

as a dead-end, says Mr Duncan Brown, a Ovum senior In addition, those working

company, Hunterskil the help-desk for an hour.

Reactions

"You get irate users who think their personal computer has stopped working seen as 'the centre of the when, in reality, they've forgotten to switch the screen on," he says.

"People in sales or in financial dealing rooms need any problem fixed immediately: they can put a staff regard help-desk work monetary value on downtime. So here is an operation which is crucial for keeping main career path and even a company running and saving money, yet has a poor image and is seen as costing

on the help-desk need not

only technical expertise but companies need to work on up-to-date on network solve problems by holding also personal and communi- the images: "There's a case cation skills, especially tol- for setting up at least erance and patience, accord- awareness-training for IT ing to Mr Richard Forkan, a people. It's also a good idea manager at the recruitment to get the experts to sit on they quickly see how hard the job is."

The UK IT Skills Forum. sponsored by leading IT suppliers and users, agrees: The help-desk should be world' for users and technical staff: the source of solu-

tions, not a poorly resourced add-on. It should therefore be part of processes such as financial control and change management Making the help-desk responsible for IT asset \$20m this year after growth management also ensures that it remains central to

the IT department, the

of companies offering systems to automate many help-desk tasks. Companies

solely in this area.

In the last two months, the computer manufacturer year. Hewlett-Packard has announced its intention to take over a Netherlands specialist, Prolin, while US supplier Onyx has opened in Europe with expectations of doubling turnover to almost

each of the last two years. Help-desk systems typi-Skills Forum says, because cally record queries and protechnical specialists have to vide statistics, maintain IT Mr Brown at Ovum says keep the help-desk asset registers and help

of more than 400 per cent in

details of solutions. Databases of known problems and repairs to popular software products, usually provided by the product suppliers, can be loaded into the problem- solutions database.

Gartner Group, the research consultancy, has found that such systems are likely to increase help-desk ment campaign for Cobol efficiency and effectiveness and PL/I skills for year 2000 by 50 per cent in the first

MagicSolutions, a leading to "several hundred" in the supplier, has customers next three years. beating this figure. At Readautomation has enabled the help-desk to treble the number of calls handled. Such findings are just

what help-desks need as they struggle to gain attention and respect from their end-users, their IT colleagues and senior manageInterForum's new white paper

Raising IT awareness

technological challenges facing companies in the UK are outlined in a new and free of charge – white paper from InterForum, a leading supplier and user net and networked comput-

Entitled Commercial in the Networked Economy, the 10-page document says there are too few 'ITaware' businesses with many under-investing in

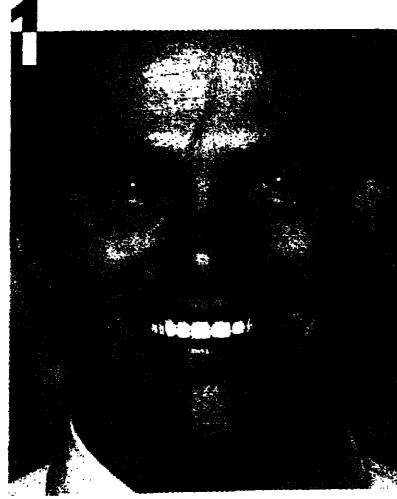
industry and commerce, 0448. says Mr Phil Flaxton, executive director of Inter-Forum, a not-for-profit web site: group whose charter mem-

Times, the Association for Information and Image Management International (AIIM), IBM, British Telecom, ICL, Sun Microsystems. Microsoft. Oracle. group for Internet, intra- Novell, AT&T, Bay Networks. Platinum Technology, Lucent Technologies. LineOne, Staffware, Opportunities and Threats Sequent and Miller Freeman.

☐ For a copy of the white paper, contact Inter-Forum at 9-11 EBC House Richmond Station Buildings, Kew Road, Richmond The findings are upon Thames, Surrey, TW9 intended to generate dis- 2NA, telephone 44 (0)181 cussion in wide areas of 332 0446; fax 44 (0)181 332

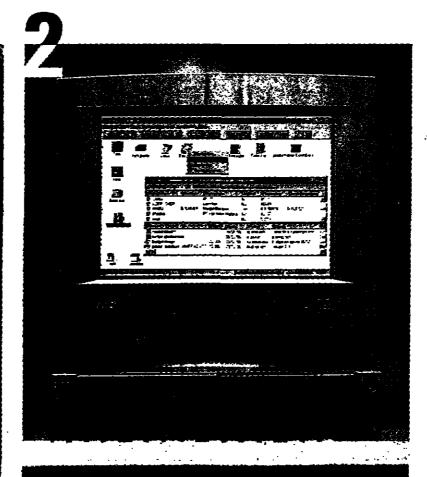
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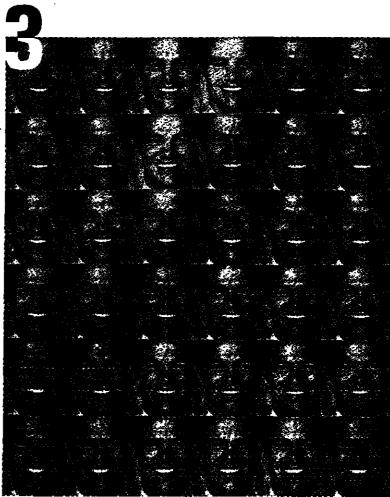
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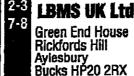
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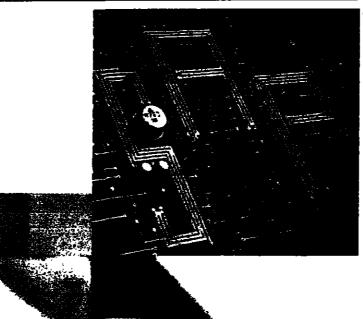
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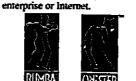
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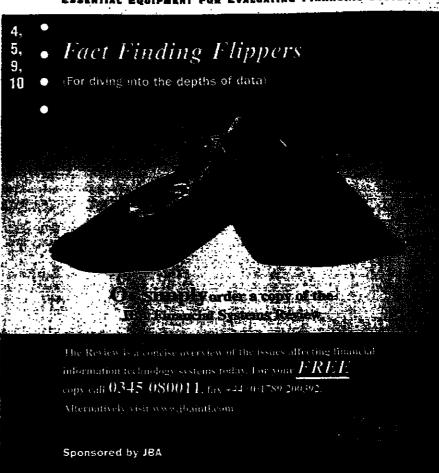


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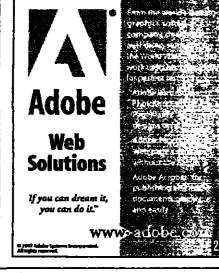
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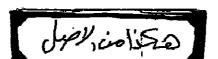
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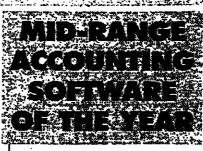
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NETWORKING SOFTWARE . By Philip Manchester

Battleground for leading suppliers

Novell is under attack, primarily from Microsoft with its Windows NT operating system, but Novell still claims up to 70 per cent of the networking software market

etworking software is like tarmac on road surfaces - not terribly interesting but very important if you

Networking software is in fact one of the most important components of modern information technology (IT) systems. It enables computers to 'talk' to each other and individual computer users to join in the whole spectrum of modern computing.

Networking software has also become the focus in the latest round of the conflict between leading software suppliers. While it is accepted that Microsoft has won the battle to dominate the market for desktop operating software, this still leaves the market open for what lies behind the desktop - the glue that ties the network

For the last decade, the Utah-based software company Novell has dominated the networking software market - based on the success of its Netware products. Netware was originally developed to link PCs in a local area network (Lan) so they could share printers and database files. Novell still claims 65 to 70 per cent of this

market and shipped a million units world-wide in 1996, according to researchers at International Data Corporation. But Novell is under attack - primarily from Microsoft with its Windows NT operating

The nature of networking software has changed. Networking software now has far greater scope than it had a decade ago when Novell's star first began to rise. Modern networking software must be able to cope with enterprise-wide networks - embracing wide-area networking and Internet-based communications.

Along with its rivals, Novell has had to extend its software to include these new technologies - but the change has left it vulnerable. Microsoft argues for a consistent approach to networking based on its Windows NT products. It is pushing Windows on the desktop, on the server and everywhere in between - including the networking software territory currently occupied by Novell.

In simple terms, Microsoft is building the

Microsoft has recently given impressive displays with its Windows NT products

networking functions into the operating system architecture. "The reason NT is taking off is that you can buy it to share files and printers as before, but you can also do other things. We can offer a high level of interoperability between NT components on the desktop and on the server. Windows NT basically lets you combine them all in a single entity," explains Mr David Bridger,

UK product manager for Microsoft. Microsoft has had some success in convincing customers that NT is a strong-enough product for server computing. Mr Bridger says that it took 52 per cent of the UK server market in April according to Romtec and other sources confirm its progress. 1DC says the company sold 750.000 NT Server packages last year. Microsoft

plans to use this success as a base to move further into enterprise computing including the market Novell has occupied. Last month, Microsoft organised a world-wide marketing event to allay criticisms of NT – demonstrating impressively its ability to operate on multiple computers with very large

Some commentators see the Windows NT long-term domination as inevitable; Mr Charles Brett, president of C3B Consulting notes: "A lot of people are moving to NT when the application need justifies it. But I am not aware of anyone moving from NT to Novell. Microsoft will probably win as a result of long term attrition even though some of Novell's technology is better." Mr Barry Watts, European business



Dominic Storey, of Novell, insists: There is more to networking then just connecting

sees evidence of NT's growing presence in the European market: "There is a European-wide feeling that the NT solution is becoming stronger - although we have seen some problems in some NT customers we have supplied equipment to."

Novell is fighting back, however. In April, it forced Microsoft to apologise over its "misinterpretation" of Windows NT sales figures produced by the respected market research company, International Data Corporation, IDC.

Novell's UK technical director, Mr Dominic Storey, is keen to dispel some other myths about Novell's position in the market There is more to networking than just connecting computers together - and, in reality. Microsoft does not do it very well. The networking component of Windows NT is still LAN Manager - which was never a successful product for Microsoft. We see it as

a high-risk option for users." Mr Storey also refutes the argument that customers are turning away from Novell's networking software. "There are examples of customers who have taken a decision the other way - a couple of large banks I can think of brought in Novell Netware to replace LAN Manager after running into trouble. And we have continued to develop Netware and introduce new technologies -

such as the Internet and Java. "More important, we have evolved the framework to make it more flexible for future developments."

The reality is, of course, that both Novell and Microsoft can look forward to continued prosperity. Most companies that are large isers of IT have both networking software systems - and will probably keep them for the foreseeable future.



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EXTERPRISE DATABASE MARKET . By Mark Mandair

Emergence of the 'PC-mainframe'

New data-processing systems promise big benefits in business planning and process control

mall may be beautiful, but The technology is moving out of a when it comes to databases, 'small' does not deliver the business intelligence. This was the message broadcast across Silicon Valley last month when Tandem Computers, in conjunction with Microsoft, demonstrated what it claimed was the largest NT database ever built.

The point being made by Tandem's chief executive, Mr Roel Pieper, was that the system represents a new driver in the push towards lower costs of ownership in the expanding enterprise database mar-ket - growing from \$14bn last year to an estimated \$25bn by 2000.

The two-terabyte system was assembled out of 64 clustered Intel Pentium proprocessors, suggesting a new piece of IT jargon, 'the PC-mainframe'. Tandem found the data to fill the 480 disk drives at Dayton Hudson Corporation, one of the US's largest general merchandise retail-

Operators took a year's customer sales information and then exploded it ten times to build a 30bn-row 'table'. Then the activity bars on the system management monitor whizzed up and down as a decisionsupport tool drilled through to the level of weekly sales volumes in any one of the company's 1,100 stores.

The significance of Tandem's

boast should be assessed within the context of a rapidly evolving market.

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which can keep up with the

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The reason for this is that

users do not want to go out

searching for new applica-

tions packages to cope with

new functions as their busi-

The problems involved in

acquiring and then linking

up new applications are just

too great. Users want to be

able to swap applications,

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Maintaining and modify-

ing old inhouse-developed or

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crucial business needs.

high-end legacy and expensive niche of high-end mainframes that provided only limited business reporting functionality, into the fast lane of near real-time data processing that offers day-to-day business intelligence to virtually anyone who has need of it across the enterprise.

Mr David Wells, a consultant with Ovum Research, explains that last year saw a significant shift in the market. "Databases effectively dropped in price to below £100,000," he says. "Great economies of scale could be made, and thus a new paradigm has emerged, in the shape of the departmental database, more often than not in the form of the

These assemblies of information are either downloaded from a data warehouse or are built out of an operational database.

The enterprise database/decision support tool combination offers great benefits to organisations in terms of process control and business planning. And as the market develops, the opportunities for vendors become immense. Microsoft, on additional fronts to the partnership with Tandem, is busy trying to persuade the world that NT and the SQL Server database do, indeed, scale to the enterprise.

was aimed at doing precisely this, fact, the hardware is not particularly some good news.



the Crawford of Oracle: 'Re

with barely concealed exasperation in trying to get the message across. But another leader in the field, Oracle, in the person of Mr Philip Crawford, the company's UK and Ireland managing director indicates that Tandem has not really come up with anything new.

He explains: "The one issue that you have to remember is that it is "Scalability Day" held last month not just a matter of the hardware. In

point in having great hardware and a low-cost NT solution with a poor quality database on it."

Not that Mr Crawford would not proclaim increased functionality and power for the new version of his own mpany's product, Oracle 8, due out at the end of June. But it suggests that the real onus for delivering beneffit rests with the systems' integra-tors and internal IT staff. Installation is much more complex than simply dumping data in a big box.

Miss Janet Perna, IBM's general manager for data management, agrees. "You need more than technology," she says. But suggesting that even Unix has work to do, let alone NT, she adds: "Enterprisesexpect a whole support structure and range of experience from their IT suppliers. Unix is still trying to achieve what IBM has achieved in terms of robustness in the mainframe environment."

All this jostling for market position makes for fine lines between partnership and competition. Whilst IBM pushes its traditional DB2 flagship database offerings, it also has its fastest growing database products in the NT space. And Tandem were happy to be present at a recent announcement from Oracle. But if customers can negotiate a certain sense of confusion, database developments should offer the enterprise

ENTEGRATED BUSINESS SOFTWARE PACKAGES, By George Black

whirlwind of change There are many reasons for moving to integrated applications and most of them have to do with the rapid change in the world of business. Companies are replacing dozens of ten to 20-year-old bespoke or packaged applications with single, comprehensive software suites Confronted with the prob-

dozens of ten to 20 year-old turned out to be. bespoke or packaged applications with a single, comprehensive suite. They have become more willing to change their practices to fit the design of the software.

This accounts for the phe-A principal advantage of nomenal rise of the German integrated suites is to get company SAP, now the away from the non-standard world's fifth largest software interfaces between programs developer, and the impreswhich can slow down prosive progress of competitors cessing. such as Oracle. System Soft-Managers want figures on

ware Associates, JD sales trends a day or two after the end of each month Edwards, Peoplesoft, Baan to be able to make decisions It has become a crowded on marketing plans. market, but crowded with

If they cannot get that successful vendors. There is information in time - or are room for at least half a not sure it is accurate when dozen big suppliers and the they get it - they lose market should keep growing ground to competitors. A cost-benefit analysis tells them they should get more effective software. Many of the companies

> SAP's R/S or one of its competitors are in industries which are undergoing fundamental restructuring. In the UK, the deregulation of water and electricity and the privatisation of

which have decided to instal

the railways have created many more SAP users. Wessex Water chose SAP software, according to project manager Mr Julian Rabjohn, partly because in its fast-changing environment it could not be sure what it

Globalisation has also stimulated the move to integrated applications. Companies seeking to compete on the world stage are acquir-ing businesses in many countries and entering joint ventures with overseas part-

The need to communicate with them is paramount and this points to adopting world-standard software.

Non-standard interfaces between software slow down processing

There are, of course, some business sectors which are so specialised or idiosyncratic - government bodies are an obvious case - that integrated applications have little value for them. But the majority of users are undoubtedly looking for standards.

SAP is still clearly the dominant supplier of integrated applications worldwide and its R/3 is the soft- it was more flexible than

integration of functions. The company is adding to its functionality all the time. for example adding support for the internet in the latest SAP's success has been

helped by strong and con-

tinuing backing from the big

They have begun to work

with SAP's competitors, but

six management consultancies, though the company is now moving into services in competition with them.

> their keenness for supporting SAP has not yet been Installing SAP's R/3 can be extremely labour-intensive and costly. Skills are scarce and demand for them is risarrival of a single European currency have greatly increased the demand for those skills across Europe.

> > Some companies have therefore evaluated numerous products in search of a cheaper alternative to R/3. At least a dozen compathe UK in different situations. However, installing

their products can sometimes be just about as hard offer the functionality that as installing R/3. The brewer, Scottish and Newcastle, chose Peoplesoft software on the grounds that

Shaw says he still helieves that to be true, he admits his company underestimated the task of installation.

Much depends on how far the user is willing to accept the vendor's standard options and how far it decides to modify the source code for its own particular requirements.

Mr Piero Granelli, executive vice-president of the support services group DA Consulting, reckons SAP's reputation for high cost of installation is not wholly warranted.

According to Mr David Todd, managing director of Philips' systems integrator Origin, much of the effort in ing. The year 2000 date con- installing any such package programs often version problem and the is not in the software but in managing organisational

duced a cutdown or pre-configured version of R/3 in a bid to win new customers in small and medium-sized enterprises.

It hopes this version will nies compete with SAP in fend off competitors who claim their products can be installed more easily.

The new version aims to smaller users need at a lower cost of installation. SAP will find touch competition in this more price-sensitive sector. It is too early to rucial business needs. might need but felt sure SAP ware product most highly SAP's. Although financial say whether its new strategy companies are replacing could provide whatever it rated by users for range and systems manager Mr Alan will work.

JAVA PROGRAMMING LANGUAGE . By Geoffrey Naim

The promise of sizeable savings

An avalanche of products aim to put Java firmly on the enterprise computing map

ew technologies have created such a storm as Java - and for a growing number of companies struggling with the headaches and costs of enterprise computing, the question is not if they should start using the new programming language but

For businesses, the main reason for using Java is its promise of cheaper and quicker application development. Software created using Java should run without modification on different types of computer and for large enterprises with a mix of hardware this "portability" could bring sizable

Java applications, called "applets", differ from traditional applications because users' computers only when they are needed. IT departments thus need no longer worry about maintaining multiple applications on different computers as every-

response to the problem of

they are stored on a network and IBM to promote Java server and delivered to and the NC as new stan-Last month, Oracle and one uses the same software. "Java is the perfect

marketing manager with the rity concerns linger and the JavaSoft division of Sun language has yet to be Microsystems, which developed the language. IBM subsidiary Lotus

Development plans a range of office productivity applets written in Java that corporate users will download from their intranet to perform standard office tasks. such as word processing or spreadsheets. Corel is working on a similar Java-based suite of office software: The benefits of Java are

supposedly greatest when organisations replace their PCs with low-cost Network Computers. These are optimised to run Java applets - a common criticism of using Java on conventional desktop computers is its slow speed. Also, they do not have hard disks or floppy drives, which improves raliability and stops users installing personal programs a big source of support

Oracle pioneered the NC idea and bas formed a loose alliance with Sun, Netscape dards for network comput-

Netscape merged their NC interests. Despite the heavyweight backing, Java is not going to make organisations change IT strategy overnight. Existing projects may software obsolescence and it take months or years to finmakes corporate networks ish and for many companies, far easier to administer." Java is just too new: stansays Amy Porter, European dards are still evolving, secu-

proven in mission-critical critical database applications enterprise applications - the area where it potentially has

most to offer.
"We are still trying to understand what is feasible using this new technology [Java] and what we need to preserve of our existing business systems," says Mr Andy Norton, application solutions manager with UK carmaker Nissan Motors.

The company has an intranet but its use is limited to publishing static pages of information for its employees and Nissan's major systems are still mainframebased. "It's not worthwhile to change," says Mr Norton. on and its allies are

confident that enterprises will soon use their intranets for strategic business applications and turn to Java to develop Last month, IBM

announced software to marry Java to IBM's traditional mainframe systems. The new product, called a component broker, allows developers to write applications in Java that link into existing applications running on mainframes and in particular, the transaction processing systems that Oracle, IBM and Tandem Computers announced in April they would work to create a Java language

"extension" called JSQL to Builder, a leading propri-simplify building business-etary client-server development tool. using Java. Oracle has also unveiled a range of business has not yet evolved ready-made Java applicato the extent that Java is

tions to run over corporate intranets and 'extranets' external networks linking customers or suppliers. The programs allow staff, customers and suppliers to track orders using a Web browser. Java is popular with soft-

ware developers."It's significantly easier to program in Java and easier to use than C++ [a widely used language), plus it offers portability," says Mike McCaffery, European development manager with Visigenic, whose VisiBroker for Java product allows applications to be developed in Java and deployed over enterprise net-

Many IT managers are neverthless reluctant to risk projects on an immature technology that until recently lacked the powerful has refined over seven years. tools available for established client-server development methods. In 1996, Java tools accounted for less than \$100m of the \$27.7bm application development tools market, according to US research group, IDC.

If you want to deploy the same type of functionality as power banks and other big in today's client-server businesses. In similar vein, systems it is quite a challenge with existing Java tools," says Mr Peter Kumik,

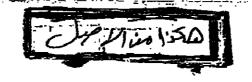
to the extent that Java is viable," says Mr Kumik. Nevertheless, Sybase and other leading tool vendors such as Microsoft, Symantec and Borland, have all expanded their tool offerings to include Java.

"For the majority of core business applications the choice is still PowerBuilder but Java shows a lot of potential to deliver these applications in the future. save Mr Kumik

icrosoft's Active X technology offers LV L an alternative to Java for building intranetbased applications. For companies that use predominantly PCs and Microsoft software, analysts say Active X is probably a better choice. It is a more stable technology which Microsoft "Active X is a well-established component technology while Java is very young and immature," says Mr Mike Pryke-Smith, Microsoft

product manager for Internet tools. He says "hundreds" of Active X applications are available from third party developers. However, Microsoft admits that Java wins in the portability stakes and it has thus licensed the language from product manager with arch-rival Sun to allow it to Sybase, which sells Power also offer Java products also offer Java products.

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What can we do to get your attention?



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The search begins

Today, the FT-IT Review launches a competition to find the FT Business Web Site of the Year. The FT is looking for organisations which have used their web site to achieve commercial advantage in their particular market and can display evidence of the following:

☐ Measurable financial

There will be category prize winners and an overall winner which will be named as 'FT Business Web Site of 1997'. Winners will be announced at November 1997. Details of the winning entries will also appear in the Financial Times.

Competition entries are (below) for the following

☐ Finance. ☐ Large organ excluding those in the ☐ Small and medium-sized organisations, (employing under 250 employees).

☐ Not-for-profit

Full details of the competition



plus a question-and-answer facility for potential entrants and an entry form can be found at the web address, below. The competition is be open to companies in and outside the UK that fall into the categories, listed left.

Entrants' web sites must have been established before January 1, 1997. The deadline for final entries is July 31, 1997. Entrants' claims must be capable of being substantiated, if shortlisted, and candidates may be required to present to the judging panel, either in person or by videoconference, in

September. Details of the competition which is sponsored by UUNET UK, Europe's largest internet service provider, are also appearing in this month's FT-IT colour magazine, Doing Financial Business Online. published in conjunction with .net macazine.

For full competition details, see the web site: .com/events/ft/

Software Flyer

YEAR 2000 DATE SWITCH . By Nuala Moran

Companies face threat from their external business links

Businesses may feel confident that their computer systems will be ready for the year 2000 date switch. But with the rapid growth of electronic commerce, how can they ensure data from external sources is also date-compliant?

hose organisations in the throes of preparing computer systems for the year 2000 may be forgiven for feeling smug that at least they are on the road to compliance, given the indications that many businesses have yet to recognised the threat, let alone act

But in a networked world, ensuring internal systems are adapted to handle the date change will not fireproof a company against 'the Millennium bomb'. To avoid problems, all data from external sources must be compliant, as must all systems to which data is to respond to the start of a transmitted.

"The irony is that companies are focusing on changes to internal systems that are not the most important element in avoiding Year 2000 problems," says Mr Martin Caddick, practice manager for Year 2000 business at the consultancy, DMR

"Traditionally, IT has had an internal focus. IT departments concentrate on things in their own domain - We own this application: we'll fix it.' Many are taking the same approach with the date

compliant. Companies must But in the race to be comcollaborate with all partners pliant, this is a misuse of who have interfaces with their systems to agree how resources. "Rather than dealing with the Year 2000 prob- to handle the date change.

time, companies need to Clearing System), which assess what has to be done money between banks, has, in terms of business processes. They should track for example told all its data partners that it intends to data through from one end take a windowing, or logic of the process to the other, approach to handling the and consider whether it can move through all the interdate change. It will expect between systems," he data in the existing format, that is, with two figures in the date field, and will be

> correct date. The alternative to the logic approach is to expand the date field to four digits to make the year unambiguous. "The changes that are the production line stops." required are not difficult, but you need to agree a common strategy for each interface," says Mr Caddick.
> "And you need a strategy for external interfaces before you go making changes to

responsible for inferring the

internal computer code." Putting the focus on extertake the Year 2000 problem can appreciate the impact that the failure of external business links will have on the company, and will be more worried by this than the issue of whether an internal application is date-

Mr John Secker, director of the UK Millennium Prac-

compliant.

lem, an application at a BACS (Bankers Automated pany, Origin, agrees that the handles all transfers of ing links "will be very seri-

> He adds: "There is less risk from 'bad' Inon-compliantl data getting into your system and causing a problem than that good data you send out is not dealt with because the receiving system is non-compliant." For example, a car com-

pany which operates a just-

in-time manufacturing system may find orders are not fulfilled. "A day later, you have no windscreens - and Since just-in-time systems often work on very fine tolerances, with components delivered half an hour before they are needed, a delay of

Companies have to do nal interfaces will make it more than simply ask eleceasier to get directors to tronic trading partners if this issue, but you need your they are Year 2000-compliseriously. Senior managers ant, says Mr Secker. "As it was put in the BBC television comedy, Blackadder -'Just asking a chap if he is a you can dictate how you spy, isn't really good

enough.'' Companies should extend their testing programmes to all external links, he suggests. "When it comes to testing for Year 2000 complitice at the outsourcing com- ance, companies should to continue to provide the

regard suppliers as part of their internal organisation." Although the modifications required to ensure that interfaces continue to work are straightforward, it is very hard to test the changes unless they are tested in a live environment. Setting up a full environment to test interfaces will cost a large company tens of millions of

Difficult issue

Nor is it enough to ensure that suppliers are Year 2000compliant. If customers are only half a day could have a affected it could have an serious impact on a bustequally serious effect on your business. "It may be more difficult to approach customers than suppliers on customers to stay in business, too," says Mr Secker.

"If you are a big corporation - or a government make the changes," says Mr James Johnson, director of Global Renovation Centres for the Year 2000 at EDS. "But if a system you are sending data to is unmodified, you have no choice but ers to demonstrate compli-

data in the format expected This is one of the key reasons why EDS believes it will be one of the leading players in the 'Year 2000 industry'. We're one of the few companies that can work with a customer and its vendors, if appropriate, in

a beginning-to-end solution." There are indications that companies are beginning to realise they should not view Year 2000 compliance as an internal issue. In the UK, BT has taken the strong-arm approach to ensuring all suppliers are compliant and will involve them in its testing programme which begins ___ later this year.

Lloyds TSB has set up teams of senior managers to handle the delicate business of ensuring anyone with whom the bank has electronic links is taking an agreed approach

11 11

Meanwhile, Railtrack is trying to persuade UK rail companies to co-operate in dealing with the Year 2000 problem. It wants an industry-wide agreement on the , format for date-compliance, and will require key suppli-

IT in financial services

■ NEXT MONTH'S FT-IT REVIEW

The July 2 issue of the monthly review will focus on key application areas for computers and software banking and financial services. Topics will include

- ☐ The impact of electronic commerce Payments systems and smartcard technology.
- ☐ Insurance on the Internet. ☐ ATMs and banking hardware.
- □ Telephone and home banking ☐ Cheque processing systems:
- □ New dealer room systems
- □ Call centre applications . Accounting packages

 Electronic financial information services. For more details about the monthly FT-IT Review, see the

information panel on page two of this issue.

RISE OF THE VIRTUAL CORPORATION . By Philip Manchester

The airline business is one of the

most competitive on earth. So to

KLM Royal Dutch Airlines brought

ensure their continued success.

Computer Associates onboard.

With CA, KLM can take

advantage of the world's most

advanced client/server financial

As Executive Vice President

software: CA-Masterpiece.

and Corporate Controller, Hans

national business

with offices all

Bruggink says, "KLM is an Inter-

over the globe. KLIM

So we needed financial software

that was multi-language and

multi-currency. In both cases,

What's more, Bruggink

CA-Masterpiece operates in *real-

time," giving his staff immediate access to the information they need right from their PCs. Perhaps best of all, Bruggink

says, CA and KLM worked togetin

er to custornise CA-Masterpiece

made sure they had all the input

they needed to tailor Masterpiece

to precisely fit their needs: "CA

to our specific requirements.

demands of our business."

ship. "Hying sky high, says

Bruggink. Spoken like a true

And they continue to refine the

software to keep up with the new

Sounds like a good partner-

Hans Bruggint, Executive

Sorporate Controller at

ALM Reyal Dutch Airlines.

Vice President and

Masterpiece fit the bill."

appreciates the fact that

Broad impact

The Year 2000 problem

arises because most older

computer systems use only

two digits to designate the

year. Unless they are

changed, systems are likely

year ending with the digits

00 by assuming there is an

error and stop working, or

interpret the year as 1900. This will invalidate all kinds

of date-related calculations,

sort routines and indexing

The Edifact standard for

electronic data interchange

uses only two figures in the

date field, making it inevita-

ble that many computer-

based trading links will be

So it is not sufficient to

ensure internal systems are

affected.

The question is not if, but when The full impact of Internet-based 'electronic' commerce will take vears to unravel - but some

Working practices, the relationship between suppliers and customers, and, indeed, between suppliers and their ration formally as an organiemployees are set to change. It is also looks certain that economic activity to deliver businesses will continue to value to customers using

certainties are evident, rent jargon, become virtual Mr Colin Price, a partner Competitiveness plus changes in markets, the workforce corporations'. The consul- at PW and author of a recent tantcy, Price Waterhouse study on virtual corpora-(PW) defines a virtual corpotions, says that the trend towards the virtual corporasation which "co-ordinates tion is the continuation of a process which began 20

"Until the oil crisis in the evolve into more flexible - resources outside the tradiand effective - organisa- tional boundaries of the early 1970s, the dominant tions. They will, in the cur- organisation." theme in business was that last 20 years, the emphasis has changed from scale to scope. An organisation can

> being big," he explains. This shift in emphasis led business through a series of changes from downsizing, through total quality management, to outsourcing. Mr Price sees the emergence of the virtual corporation as an inevitable continuation of this process.

have a lot of scope without

"The question is not: Is it going to happen? It's when is it going to happen? There are two drivers and two enablers that are pushing it along. The drivers come from changes in the business environment. Globalisation and competition are forcing companies to stop doing what they are not outstand-

ing at. Secondly, they need to reach new markets - which leads them into more partnerships and co-operative agreements. "The enablers are new ways to exploit human resources more effectively - teleworking and outsourcing, for example - and an information technology infrastructure that lets companies operate as 'intelligent

enterprises'," says Mr Price.' There is plenty of evidence to suggest that the process is Colin Price, a partner at Price well-advanced. Examples of Waterhouse, says: 'An a move to more flexible organisation can have a lot of organisational structures are

by being bigger. But over the it has only 14 full-time employees and a few part-time students," says Mr David Green, managing director of computer soft-

ware company, Sapiens.



and working methods are heralding 'virtual' corporations, as technology allows a greater range of business options common: "Look at the Ford company has increasingly "Our experience shows us"

Motor company. In 1980, it relied on partnerships with that the big challenges are made about 87 per cent of a other suppliers to broaden not technical - they are culcar itself. Now it only makes tis market - and to keep a tural. They are about how a between 30 and 40 per cent. competitive edge. It has company values itself and "Or consider the US insur- become part of a 'virtual' finds where it can make its

He notes that his own



"We concentrate on our core software competencies

which are rapid application development tools and Year against competitors with a alliances with organisations

to cover the other areas." The trend for companies to form alliances is measurable. According to Mr Price of PW. a recent survey of FT-SE 100 companies by Kalchas found that the number of formal equity alliances has grown by 55 per cent in the last five years. It also found that the number of cooperative agreements to share or develop technology between companies had grown by 200 per cent in the

Competitiveness and changing markets are only part of the story, however. Changes in the workforce and working methods also favour the trend towards virtual corporations. Teleworking centres, home offices and flexible working practices all help to make it possible. But the most significant advance is evolution of the technology infrastructure needed to support more flexible ways to organise. Global networking through the Internet has created an environment which makes it possible.

indeed, the barriers are no longer seen as technological.

Glenn Osaka, enterprise systems general manager at

Hewlett Packard. "The technology allows for 2000. But we come up a greater range of options for organisations. They can outwider range of services and source as much or as little products. So we have set up as they like and still keep: control.

Predictions

Mr Smith of PW points to the non-technical implications of virtual organisations and warms of potential problems: "There are some important questions that need answering. How do you build a cultural identity for a virtual corporation?

"How do you build soft-" - . ware systems that span

"I also have some reservations about teleworking. But the virtual corporation

model is going to dominate." Mr Osaka of Hewlett Packard sees the shift to virtual corporations as the beginning of much bigger change. "We are right at the beginning of a major transformation - not just to commerce

and companies," he says. "When you transform corporations, you also transform economics. This could change the basis of economic *** +-power. Relationships change between employer and employee. between supplier

Speech-controlled computers

From page one:

recognition 25 years ago, there was some doubt that this day would ever come," reflected Mr Jim Baker, cofounder and chief executive of Dragon, at the product launch.

It was the need to deploy a continuous speech system which led to L&H's recent acquisition of Kurzweil for \$53m. Analysts believe that deal will allow L&H to 'short-circuit' development times and bring its large vocabulary, speaker independent, continuous dictation product to market at least

six months earlier. Systems incorporating natural speech recognition technology have the greatest potential to become accepted by users because they allow normal speech. However, there are already quite a tence, out of which the comnumber of application areas puter will pick the words

speech recognition is being out an action or provide the area network. For niche speused. Philips divides this application area into three categories:

☐ Discrete speech recognition systems: These applications allow users to control a computer, machine or appliance by saying simple words or short phrases, such as "start", "stop" and "dial".

wide variety of applications, such as telephone banking, quality control systems, and

parcel-handling systems □ Word-spotting systems: These systems allow the user to say a complete sen-

user with the appropriate information. For example, Philips has a train timetable information system that works on this basis.

☐ Natural speech recognition systems: The most advanced category of voice command applications is one that enables the computer to take whole sentences, interpret them, and perform the requested tasks.

As with IBM, Philips has also moved towards integrating its technology in other applications. The group has a radiology version of its system working in several hospitals and says there is growing interest in areas the implications could be

such as banking and finance. Philips's system works in a slightly different way from those from IBM, Kurzweil and DragonDictate in that it sends the continuous speech signals to a special PC and lines of business where which are important to carry server, attached to a local

cialist markets, such as medicine, this 'batch' approach is quite acceptable although. the company acknowledges that there is also a demand for immediate real-time voice recognition.

"Speech recognition is an evolving technology that will continue to improve, says Philips. "Gradually, the dream of being able to communicate with machines through the power of speech is coming true."

While the day when everyone will be able to use natural speech as a substitute for a keyboard and a mouse. may still be some way off. dramatic. "The whole way of working and communicating becomes totally different with a longuage, user interface (LUI) as opposed to graphical user interface (GUI)," says Mr Bastinens of

Lernout & Hauspie.

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